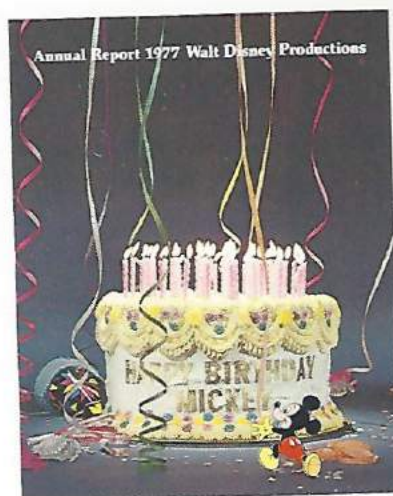


Annual Report 1977 Walt Disney Productions





The cover of this year's annual report heralds the 50th birthday of Mickey Mouse, which dates from his premiere in "Steamboat Willie" at New York's Colony Theater on November 18, 1928. This is particularly appropriate, for clearly Mickey is fifty years young, with all the vigor he has always enjoyed. And there could be no better birthday present for him than the solid proof contained in these pages that Walt Disney Productions continues to maintain the same kind of youthful vigor.

In September, we completed our tenth consecutive year of record revenues and net income. Revenues increased 8% to \$629,825,000, while net income was \$81,947,000, up 10%.

Reinforced by this financial strength, Walt Disney Productions stands today on another new threshold. During fiscal 1978, we are confident that our employees, our stockholders and the world as well will see the beginning of a new generation of Disney entertainment. After a period of incubation, which the Disney creative product has traditionally required, we are now, throughout the company, experiencing the excitement of seeing new projects move from the drawing board to reality.



A new generation of Disney entertainment

For example, we have been grooming a new young team of artists under the guidance of our veterans for several years. The world premiere of "Pete's Dragon" at Radio City Music Hall in November marked their first major contribution to the Disney film library. And, in Elliott, the dragon star of this musical fantasy, they have helped create a refreshing new character which we believe will enjoy immense popularity and durability. Thus, the continuation of Disney animation has been assured.

Nowhere is this new generation of Disney entertainment more evident than in the progress we have made in preparing for the second phase of Walt Disney World—the details of which are presented later in this report. During 1977, our Imagineers at WED Enterprises have concentrated their primary creative thrust on EPCOT, The Experimental Prototype Community of Tomorrow. Working from concepts to renderings to study models, they have achieved in Master Plan 5 the conceptual breakthrough we have sought.

There has never been a greater need for the communication of information about the diverse peoples of our planet, the new systems and technologies evolving to meet the needs of those people, and the alternative decisions we face. Our future depends upon it. For the better we understand today, the choices for tomorrow, the better decisions we will make.

This is what EPCOT Center and its two major themes, Future World and the World Showcase, will be devoted to: the advancement of international understanding and the solution of the problems of people everywhere—through the communication of ideas.

Our dedication to this concept will not be limited to the EPCOT Center site in Florida. It will extend as far as the Disney ability to communicate can reach, including films, television, educational materials and even the licensing of concepts and products. For this reason, we believe, EPCOT Center can open an exciting new dimension for Walt Disney Productions.

At this writing, for example, a series of five television specials exploring each of EPCOT Center's wide-ranging themes is under development. Our preliminary plans are to inaugurate this series with a gala "Disney Week" on television, recreating the career and dreams of Walt Disney, culminating in a major special on "Walt Disney's Greatest Dream: EPCOT."

However, as we have consistently pointed out, EPCOT Center cannot and should not move forward on the financial or creative strength of any one organization. It requires the best thinking and financial support of American industry and the commercial and government interests of other nations as well.

Therefore, while our creative people have been developing the conceptual breakthrough for EPCOT Center, we have continued to seek support for the first phase of World Showcase from foreign industry and governments around the world. Our efforts have included Canada, Costa Rica, England, Israel, Japan, Mexico, Morocco, Poland, Saudi Arabia, South Korea, United Arab Emirates, Venezuela, West Germany, and other countries. Several of these have already indicated their intention to participate as sponsors of pavilions and exhibits in the World Showcase. Others are in varying stages of negotiations which we feel will lead to their participation.

Over the past few months, we have begun to emphasize our concept for EPCOT Center's Future World. We have discussed the first phase development with such major American corporations as American Telephone & Telegraph, ARCO, Borden, Coca-Cola, Exxon, General Electric, General Motors, IBM, RCA, Sperry Rand, Standard Oil of Indiana, Westinghouse, and others. The initial response from these corporations has been most enthusiastic. And we have entered into negotiations with a number of them which we feel will result in their participation as sponsors of pavilions and exhibits in Future World. We believe EPCOT Center has stimulated many of America's leading corporations because the EPCOT dynamic is really the American dynamic. It is founded on the principles of American enterprise—and a belief that an informed public can, and will, make better decisions for tomorrow if they understand and believe accurate and relevant information today.

At the same time, we have continued to move forward on our other two major projects: Tokyo Disneyland and Independence Lake, the details of which are discussed later in this report.

We have noted before that "Walt Disney always felt that the most significant thing about the past was the experience and preparation it gave our company for the future." Today, we echo that statement as we look forward to another quantum leap for the Disney organization. While we remain alert to any fundamental changes which may affect our business, the Company, with its outstanding people and financial strength, has never been more experienced or better prepared to meet its goals. We invite you to closely review this annual report of 1977 and look for the many ways in which we have already begun to raise the curtain on a new generation of Disney entertainment.



Card Walker
President and Chief Executive Officer

November 22, 1977

Financial Review

Summary of Operations by Lines of Business (In thousands of dollars, except for per share data)

	1977	1976	1975	1974	1973
REVENUES					
Entertainment and recreational activities	\$414,576	\$378,197	\$337,073	\$282,425	\$261,514
Film rentals	118,058	119,133	112,528	90,390	76,159
Consumer products and other	97,191	86,566	70,405	57,074	47,392
Total revenues	629,825	583,896	520,006	429,889	385,065
COSTS AND EXPENSES OF OPERATIONS					
Entertainment and recreational activities	321,145	305,298	272,953	236,517	211,883
Film rentals	67,664	61,261	55,892	44,575	40,163
Consumer products and other	61,365	57,052	48,742	35,196	27,789
Total costs and expenses of operations ..	450,174	423,611	377,587	316,288	279,835
OPERATING INCOME BEFORE CORPORATE EXPENSES					
Entertainment and recreational activities	93,431	72,899	64,120	45,908	49,631
Film rentals	50,394	57,872	56,636	45,815	35,996
Consumer products and other	35,826	29,514	21,663	21,878	19,603
Total operating income before corporate expenses	179,651	160,285	142,419	113,601	105,230
CORPORATE EXPENSES					
General and administrative	26,905	20,474	17,321	16,079	15,224
Design projects abandoned	1,740	3,182	6,702	1,285	
Interest (income) expense-net	(6,341)	(3,570)	2,655	7,266	4,262
Total corporate expenses	22,304	20,086	26,678	24,630	19,486
INCOME BEFORE TAXES ON INCOME	157,347	140,199	115,741	88,971	85,744
Taxes on income	75,400	65,600	54,000	40,444	37,716
NET INCOME	\$ 81,947	\$ 74,599	\$ 61,741	\$ 48,527	\$ 48,028
EARNINGS PER SHARE*	\$ 2.57	\$ 2.34	\$ 1.94	\$ 1.54	\$ 1.52
CASH DIVIDENDS PER SHARE	\$.15	\$.12	\$.12	\$.12	\$.12

*See summary of significant accounting policies.

The Company enjoyed its tenth straight year of record revenues and net income. Revenues for the fiscal year increased 8% to \$629,825,000, while net income increased 10% to \$81,947,000, or \$2.57 per share. Revenues for the fourth quarter increased 14% to \$205,197,000, while net income increased 21% to \$31,978,000, or \$1.00 per share, all representing records for the eleventh straight fourth quarter.



DIVIDEND INCREASE

In recognition of the changing investment climate and the Company's present strong financial position, the Board of Directors, on November 22, 1977, doubled the quarterly cash dividend rate from 4¢ to 8¢ per share. This raises the indicated annual dividend to 32¢ per share from the 15¢ per share paid during fiscal 1977.

At the same meeting, the Board of Directors also declared a 1.5% stock dividend, which like the quarterly cash dividend, was payable January 6, 1978, to shareholders of record December 12, 1977.

The reader is encouraged to review the pages that follow which deal specifically with operating highlights for the Fiscal Year 1977, including gross revenue figures for the major operating divisions of the Company and other pertinent operating data.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE SUMMARY OF OPERATIONS

The following discussion is presented to assist the reader in an understanding and evaluation of the material periodic changes in the various items on the Summary of Operations (on the opposite page). Reference should also be made to financial information set forth elsewhere in this Report, including the section on the Summary of Significant Accounting Policies.

Entertainment and Recreational Activities. Operating Income (Before Corporate Expenses) increased by 28% in 1977 over 1976 due primarily to increased attendance at Disneyland, increased per capita spending at both Disneyland and Walt Disney World, and increased revenues at the resort hotels and campgrounds. Per capita spending was influenced by price increases averaging 8% at Disneyland in May 1977 and 6% at Walt Disney World in June 1977. Labor costs increased due to higher union rates, but were offset in part by effective cost controls resulting in a reduction in man-hours worked. Other increases in costs and expenses were experienced in depreciation (which was offset by a decrease in preopening cost amortization), property taxes and utilities, caused in part by the addition of new attractions in the last two years. Overall operating margins and gross profit margins for food and merchandise improved for the year.

Revenues and Operating Income increased in 1976 over 1975 due primarily to increased attendance and per capita spending at both theme parks and increased lodging revenues at Walt Disney World. Increased costs and expenses were due primarily to higher labor costs caused by higher union rates and additional man-hours worked, due in part to the first full year's operation of new Tomorrowland attractions at Walt Disney World.

Operating Income was adversely affected in 1974 when tourism was similarly affected by public concern regarding the availability of gasoline.



Film Rentals. Operating Income in 1977 was lower than in 1976 due primarily to lower foreign and domestic theatrical revenues. Excellent domestic results in the last three months of the year were not sufficient to offset the reduction in revenues experienced earlier in the year. Domestic television revenues increased due primarily to the effect of a new and expanded contract with NBC-TV for the continued broadcast of the Sunday night television show, "The Wonderful World of Disney." Costs and expenses have increased due primarily to higher negative amortization attributable to higher production costs of theatrical films currently in release and television films including the New Mickey Mouse Club, which has led to the decision to discontinue production of the five-day-a-week program.

Consumer Products and Other. Revenues and Operating Income increased in 1977 over 1976 and in 1976 over 1975 due primarily to the improved operating results of the educational media, character merchandising (which included Distributing Company operations in 1973 through 1976) and publications divisions and the activities at the Community of Lake Buena Vista and Walt Disney World Village. Operating margins for the activities in the group improved for the current fiscal year even after adjusting for the low margins produced by the Company's Distributing Company in 1976. The Company changed its operating policy in 1976 so that items of character merchandise formally manufactured for the Company's account and distributed to third parties by the Company are now being manufactured under regular character merchandise licensing agreements.

Operating Income was adversely affected in 1975 when the recession experienced throughout the country had a particular impact on this group of activities.

General and Administrative Expense. Costs have increased in 1977 over 1976 and 1976 over 1975 due, in part, to increased union labor rates and costs of materials and supplies. In addition, some of the Company's divisional worldwide marketing activities have been consolidated at the corporate headquarters during the past year. 1977 and 1976 include costs related to the marketing of EPCOT Center and all of the Independence Lake project costs.

Design Projects Abandoned. At the close of each fiscal quarter, management evaluates projects in the concept and design stages which have been in progress for varying periods of time. Those which are determined to have no immediate foreseeable use are abandoned. Such abandonments have decreased since 1975, when upon the completion of the first phase of Walt Disney World a number of projects in the concept and design stages were determined to have no immediately discernible future value.

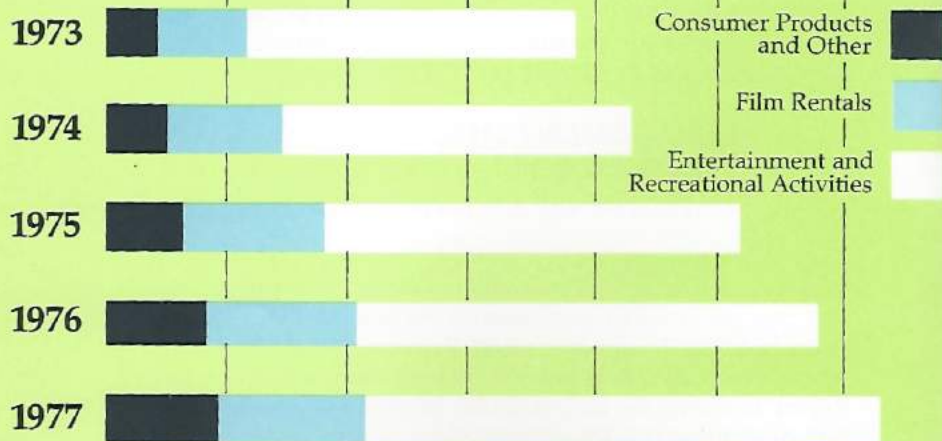
Interest (Income) Expense-Net. The Company has realized net interest income (after interest expense amounting to less than 5% of such interest income) from short-term investments during 1977 and 1976, such income being dependent upon variances in interest rates and the amount of such investments. Interest expense in 1975 is attributable primarily to long-term bank debt which was prepaid in July 1975.

Taxes on Income. A full explanation of the provisions for taxes on income for 1977 and 1976 is given in Note 2 of Notes to Consolidated Financial Statements.



REVENUES

In millions of dollars.



OTHER FINANCIAL INFORMATION

At September 30, 1977, the Company had approximately \$164,000,000 in short-term investments. These funds are invested in Bankers Acceptances, bank Certificates of Deposit and various United States Government issues. These temporary investments may be eventually utilized to fund the construction of two of the Company's next major projects, EPCOT Center and Independence Lake.

Capital expenditures in Fiscal 1977 amounted to \$44,517,000. The major portion of these expenditures were used for such projects as the Space Mountain complex at Disneyland, the Empress Lilly Riverboat Restaurant at Florida's Walt Disney World Village, and various other additions. The Company currently anticipates that capital expenditures during Fiscal 1978 will approximate those of the prior year.

As of September 30, 1977, the Company had 65,000 shareholders of the Company's common stock, and the average number of shares outstanding during the year was 31,894,000. Stockholders equity per share increased from \$21.68 at the beginning of the year to \$24.18 at the end of the year.

Total assets as of September 30, 1977, were \$964,475,000, an increase of 10.4% over the prior year.

In the Notes to the Consolidated Financial Statements, you will find certain comments with regard to replacement cost accounting, in compliance with new regulations issued by the Securities and Exchange Commission.

On June 7, 1977, the Board of Directors approved an Employee Stock Ownership Plan (ESOP) for salaried employees, the Plan being retroactively effective to October 1, 1975. This Plan was made possible by the Tax Reduction Act of 1975, which allows the Company to claim an additional 1% of the Company's qualified capital investments as an investment tax credit. As a result, the Company paid (at no cost to the Company) \$285,500 to the Trustee for the Plan, who, in turn, purchased 7,211 shares of the Company's stock in the open market.

Cash dividends paid during Fiscal 1977 amounted to \$4,725,000, or 15¢ per share, as compared to \$3,659,000, or 12¢ per share in Fiscal 1976. In addition, a 3% stock dividend was paid on February 5, 1977, to stockholders of record on December 22, 1976. This resulted in the issuance of 922,196 additional shares of common stock, which had a market value of \$40,512,000, represented by the price of Walt Disney Productions common stock (\$45.25) on the declaration date of November 23, 1976.

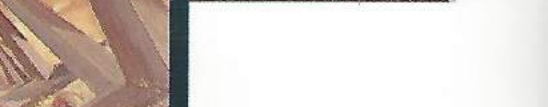
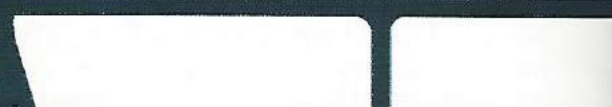


★ MARKET AND DIVIDEND INFORMATION

The principal market for trading Walt Disney Productions common stock is the New York Stock Exchange. Market and dividend data for the last two fiscal years are listed below.

	Market Price*		Dividends
	High	Low	
1977			
First quarter	\$49 ¹ / ₄	\$39 ⁷ / ₈	\$.03
Second quarter	47 ⁵ / ₈	33 ⁷ / ₈	.04
Third quarter	37 ⁵ / ₈	32 ¹ / ₈	.04
Fourth quarter	41 ¹ / ₂	35 ¹ / ₂	.04
Year	49 ¹ / ₄	32 ¹ / ₈	.15
1976			
First quarter	50 ⁵ / ₈	39 ⁵ / ₈	.03
Second quarter	61 ¹ / ₈	48 ⁵ / ₈	.03
Third quarter	60 ⁷ / ₈	48 ¹ / ₂	.03
Fourth quarter	55 ¹ / ₄	45 ³ / ₄	.03
Year	61 ¹ / ₈	39 ⁵ / ₈	.12

*Adjusted for stock dividends



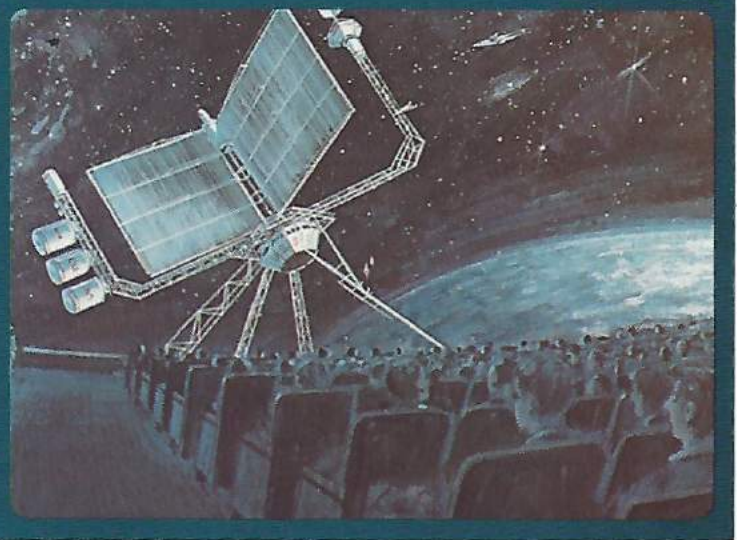


MASTER PLAN 5

EPCOT Center: Future World and World Showcase



A COMMUNITY OF IDEAS: EPCOT Center will present the challenges and alternatives for tomorrow and showcase nations of the world today. Concepts for the pavilions and exhibits within EPCOT Center, developed in study models and renderings by WED Imagineers, include (clockwise from bottom left) a major introductory show, Spaceship Earth; Life & Health; The Land; Transportation; the major theme area of World Showcase; The American Adventure... gateway to the World Showcase; Space; The Sea; Energy; and Communicore, the global marketplace of new ideas.



MASTER PLAN 5: The conceptual breakthrough

On these pages, we are proud to make the first public presentation of the EPCOT Center developed in Master Plan 5 by the Disney Imagineers. As we proceed with our planning for the EPCOT project, the specifics of this plan will, undoubtedly, change time and time again. This is a natural result of the Disney creative process which continually probes for the best alternative. Disneyland, for example, was constructed from Master Plan 67. The Walt Disney World complex, which more than 71 million people have visited, grew out of our 17th Master Plan.

However, the basic concepts contained here will remain substantially the same. For the two major themed areas, "Future World" and the "World Showcase," together with the "American Adventure," which acts as a gateway between the world of today and tomorrow, provide what we believe are the best opportunities for meeting the four major objectives we have established to bring Walt Disney's last and greatest dream to reality.

As conceived here, EPCOT will be a "Showcase for prototype concepts," demonstrating practical applications of new ideas and systems from creative centers everywhere. It will provide an "on-going forum of the future," where the best thinking of industry, government and academia is exchanged to communicate practical solutions to the needs of the world community. It will be a "communicator to the world," utilizing the growing spectrum of information transfer to bring new knowledge to the public. Finally, EPCOT will be a permanent "international people-to-people exchange," advancing the cause of world understanding.

In addition, we are convinced that EPCOT will provide a much needed symbol of hope and optimism that our major challenges can, and will be met. It will provide outstanding family entertainment from which people may draw enlightenment, as well as enjoyment. And it will, of course, represent a major new extension of our business activities around the world.

As you study our preliminary concepts for EPCOT Center and its shows, exhibits and pavilions, you may want to refer to the graphic overview on the preceding two pages as a point of reference.

FUTURE WORLD

The Future World, an American enterprise forum, poses the challenges and previews alternatives for the "Community of the Future." The principal components of Future World include: A major introductory theme show, *Spaceship Earth*; the *Communicore*, a global marketplace of new ideas bringing the public into direct interface with industry; and a series of



major pavilions exploring *Energy, Life & Health, The Sea, The Land, Transportation, and Space.*

Spaceship Earth

Spaceship Earth is the major theme show and introduction to the concept and meaning of EPCOT, focusing on the relationship between communications and humankind's continuing dynamic—survival. It is an optimistic statement recognizing our enormous challenges and concluding strongly that creative men and women of the world can develop a viable "instruction book for *Spaceship Earth*."

Central to the meaning of the show is the fact that access to accurate and relevant information and the continuing ability to create new and better tools for survival have been the real dynamic of our voyage aboard *Spaceship Earth*.

The Disney staff is creating an exciting and unique theatrical experience for the dramatic spherical structure which will dominate the entrance to EPCOT Center. A time machine journey into the past to trace man's progress as he acquires and utilizes new knowledge. Surging forward through time, guests will see historical milestones unfold as man records, communicates more broadly and finally uses computer technology to process ever increasing amounts of information.

As the *Spaceship Earth* show concludes, the audience is invited to go forth into EPCOT's Future World, into the many pavilions offering dramatic new vistas into vitally important topics affecting the future of humankind.

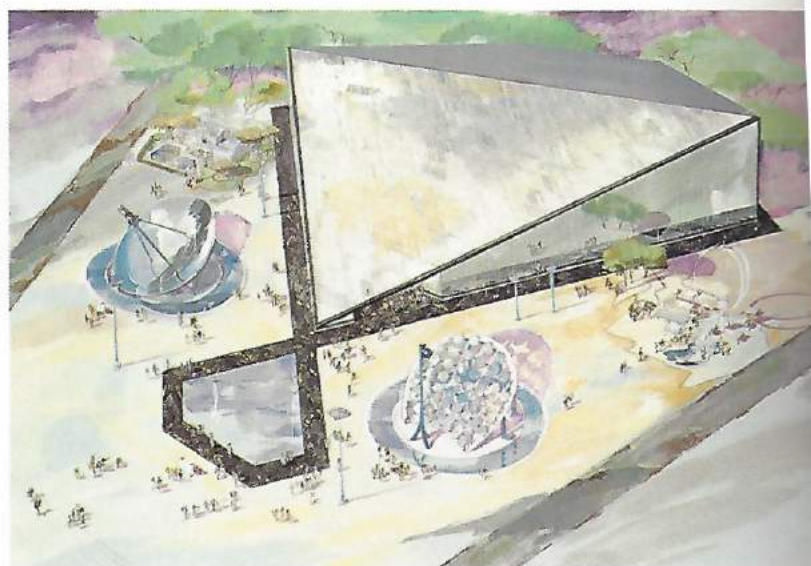
Communicore

As its name suggests, this global marketplace of new ideas will be the communications core of EPCOT Center. Here, industry and the public will participate

EPCOT INTRODUCTION:
Standing at the entrance to EPCOT Center, Spaceship Earth will introduce guests to the concept and meaning of the project.

PRACTICAL APPLICATIONS:
The Energy Pavilion (right) will feature demonstrations of solar energy applications. The study model of the Life & Health Pavilion (below) includes an area offering guests a ride through the fantastic wonders of the body and The Great Midway of Life, where they will learn their personal responsibility for good health habits.

FUTURE WORLD TRAVEL PORT: This artist concept depicts a Communicore attraction where guests will electronically preview their vacations.



Energy Pavilion

Even from the outside, the *Energy Pavilion* will be a strong visual statement as it generates power via its own solar energy systems. Here, the formation of fossil fuel energy will be portrayed, climaxed by a sudden energy storm of wind, lightning, rain, fire and volcanic eruptions, demonstrating the almost endless potential of raw energy available for man.

Then visitors will see man overcoming the major crises of the past and finally the choices he must consider today... racing against the clock in a search for new energy, and finally harnessing tomorrow's vast new sources for "The Future World of Energy."

in a "hands on" exchange of new and exciting ideas, systems, products and technologies.

Some of the beginning concepts for this "information marketplace" include:

Telstore—a Future World "video bookstore" where guests could experience first-hand the newly emerging world of video information for the home.

Future World Travel Port—an electronic travel port where visitors could "dial-in" their travel interests and other itinerary requirements and watch an "instant preview" of their upcoming vacation.

FuturePlan—a career center concept where immediate information would be offered about careers for young people and the newly developing field of second careers for retiring citizens.

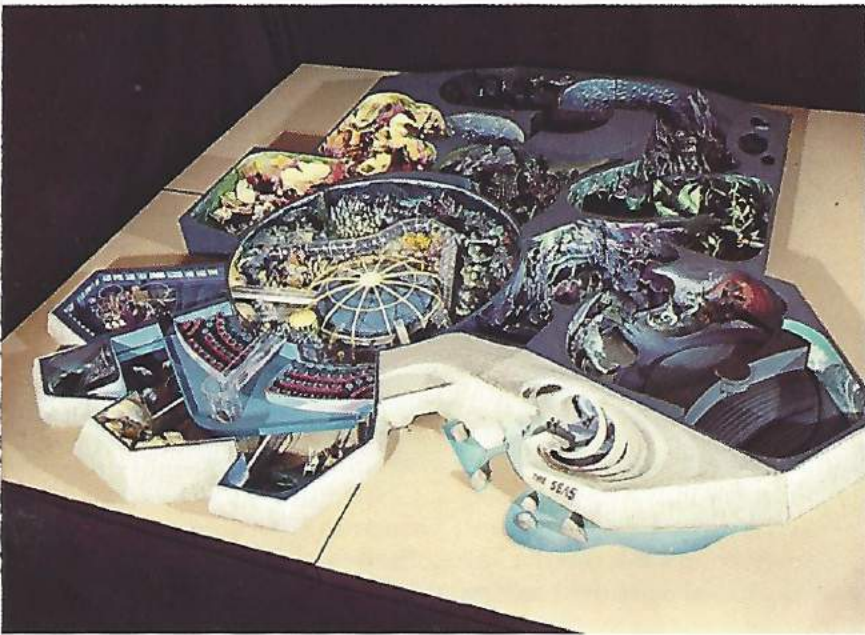
Informat Arcade—a concept providing new experiences for the public in information retrieval, which would include a "Casino of information" in game-playing format... taking the penny arcade of the past into the information age.

Other ideas for the *Communicore* will be developed by joint task forces of Disney designers and industry participants and may include such things as The Good Health Emporium, the drug store of tomorrow and The Future World Office, a paperless place of business.



Life & Health Pavilion

Visitors to the *Life & Health Pavilion* will experience a new awareness and appreciation of themselves. "The Joy of Living," a multimedia show, will extol the beauty, the dignity and strength of man from birth to the golden years. "The Incredible Journey Within" will take guests to explore the inner workings of the fascinating, complex human machine. Along the "Great Midway of Life," they'll participate in a whimsical series of experiences, learning that good health is based, more than anything else, on their own personal responsibility and behavior.



SEAS PAVILION: This WED study model includes a dramatic "ride beneath the seas."

LAND PAVILION: Among preliminary concepts is this experience, stressing harmony between man and his environment.

The Seas

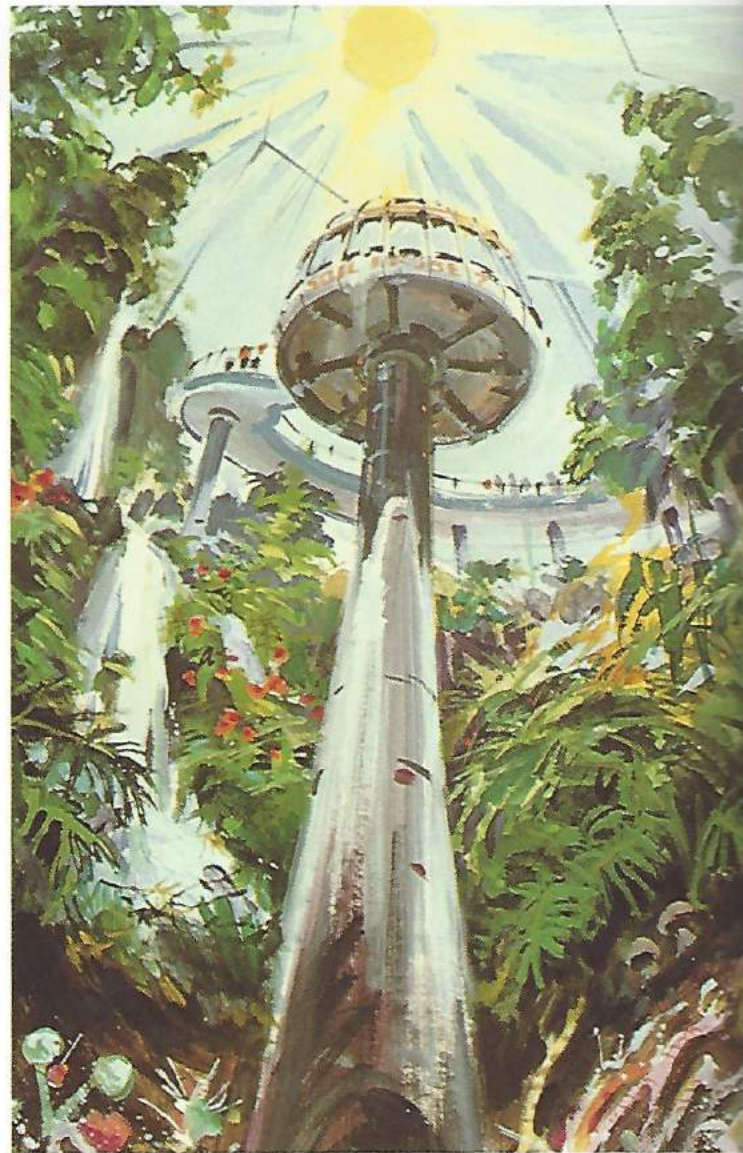
Guests will board the clipper ship, "Spirit of Mankind," to sail through moments of peril and triumph with seven legendary mariners... the great explorers who charted the seas for civilization. In another adventure, Poseidon the Sea Lord will challenge visitors to journey through the ocean depths... from the Continental Shelf to the Great Coral Reef. Finally arriving at "Sea Base Alpha," guests will experience an authentic ocean environment with live marine life, an undersea restaurant, and a showcase of oceanographic exhibits and displays.

The Land

The *Land Pavilion* will graphically illustrate man's role as a "protector" of this finite resource, as well as his alternatives and choices in maintaining, and even enhancing, the delicate balance within the natural environment. Through a variety of exciting and informative shows and experiences, guests will be introduced to the basic concepts essential for understanding the need for harmony between man and his home on "The Land."

Transportation

The *Transportation Pavilion* will show how man has progressed through time in direct relation to his ability to move from one location to another. Visitors will see man's earliest and most humble designs grow and change as he reaches out to explore the world around him. They'll be treated to simulated trips aboard some of today's modes of transportation... and have a glimpse at future transportation systems... including a "hands-on" involvement with working prototypes of tomorrow's vehicles.



Space

A huge, interstellar "Space Vehicle" will transport passengers to the outer frontiers of the universe, highlighting man's efforts to reach out for the stars around him... from the early pioneers who looked and wondered... to modern-day space travelers and their triumphs... to the challenges and possibilities of future space technology and exploration.



TRANSPORTATION PAVILION: A concept for "hands-on" experience with working prototype vehicles of the future will be a part of this guest experience.



SPACE PAVILION: Designer John De Cuir, Sr. and Writer Ray Bradbury discuss the model of the interstellar "Space Vehicle" which will highlight this pavilion.

The American Adventure... Gateway to the WORLD SHOWCASE

"America has been settled by the people of all nations, all nations may claim her for their own. We are not a narrow tribe of men... No: our blood is as the flood of the Amazon, made up of a thousand noble currents all pouring into one. We are not a nation so much as a world..."

These words, written by Herman Melville, are the inspiration for *The American Adventure*—standing at the crossroads, facing onto the Future World and acting as the gateway and "host" to the nations of the World Showcase. Here, visitors will experience the remarkable three-century story of the American people, from the first step onto Plymouth Rock, to the first step onto the moon. Three of the most eloquent spokesmen in American history, Benjamin Franklin, Mark Twain, and Will Rogers, will lead a cast of performers "brought to life" through the Disney Audio-Animatronics process of three-dimensional animation. Their message is one of *optimism* for the future—that in their times too, Americans dreamed of a better tomorrow—and that a nation, founded in liberty and freedom, gives its citizens the opportunity and incentive to build on the great foundations of the past.



AMERICAN ADVENTURE: These models and renderings picture the "main spokesmen" guests will meet as they experience the story of the American people: Benjamin Franklin, Mark Twain and Will Rogers.



WORLD SHOWCASE

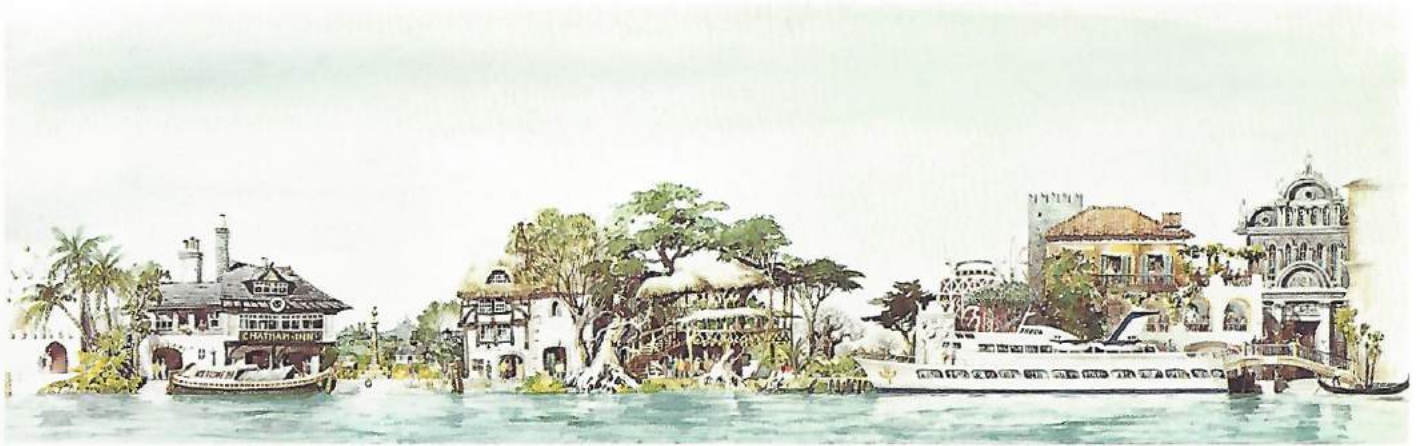
In prior years, we have reported extensively on our concepts for the pavilions and exhibits of World Showcase. During this year, WED Imagineers, working with potential participating nations, have continued to refine these concepts creating many new renderings and models, some of which are shown here. In 1977, we have also developed an exciting new concept for the overall design of World Showcase which we are pleased to present publicly for the first time.

In this new interfacing design concept, countries from around the world will stand side-by-side in friendship along the banks of a broad lagoon... symbolic of the waters that bind together the diversified peoples of the world.

A "Community of Nations," World Showcase will be the first permanent international exposition of its kind anywhere... communicating the culture,

history, tourism and accomplishments of each participating country. Here, guests will visit a wide variety of exciting shows and ride through attractions, restaurants and shopping streets unique to the individual nations, and areas presenting travel and products of industry.

EPCOT Center's World Showcase is a true people-to-people concept. Participating nations will be invited to send their outstanding young adults to operate the attractions, shops, restaurants and exhibits of their pavilion. And these young people will not only work together, they will also live, play and learn together. Many of these young adults will be future leaders in their countries. Their association and work experience in EPCOT Center could be a significant step toward generating greater understanding among the peoples of the world.

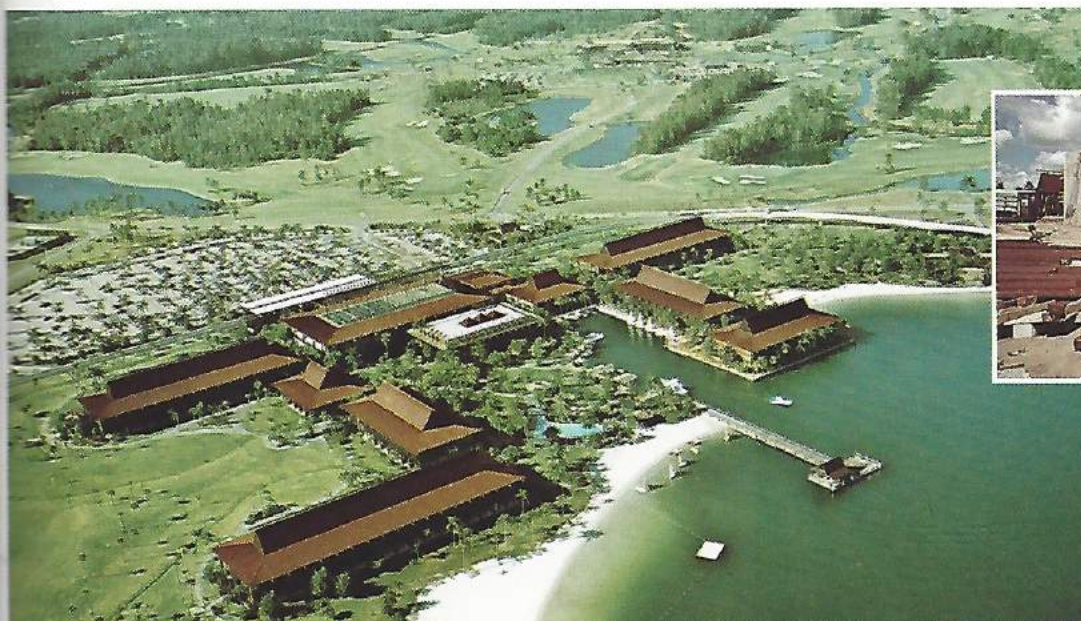


NEW DESIGN CONCEPT: The World Showcase will feature side-by-side pavilions along the shores of the waters of the world. The many models and renderings developed for potential participants in World Showcase include these concepts for Japan (right), the Arab World (below), Canada (bottom right), and Germany.



Entertainment and Recreation





AN EXPANDING WORLD: 144 additional rooms will open at the Polynesian Village Resort-Hotel in June, 1978.

WALT DISNEY WORLD

GROSS REVENUES

	1977	1976	1975	1974	1973
Admissions and rides ..	\$100,213,000	\$ 92,786,000	\$ 80,057,000	\$ 64,479,000	\$ 62,182,000
Merchandise sales	61,596,000	54,659,000	49,625,000	40,691,000	36,702,000
Food sales	65,071,000	62,035,000	54,822,000	44,547,000	40,207,000
Lodging	36,518,000	33,472,000	30,257,000	26,633,000	22,443,000
Lessee and other rentals	7,674,000	9,131,000	8,027,000	5,305,000	5,386,000
Other	2,985,000	2,654,000	2,463,000	864,000	1,242,000
Total revenues	\$274,057,000	\$254,737,000	\$225,251,000	\$182,519,000	\$168,162,000
Total attendance	13,057,000	13,107,000	12,515,000	10,834,000	11,593,000

On October 1, 1977, Walt Disney World began its seventh year of operation. Firmly established as the world's most popular destination vacation resort, Walt Disney World has hosted more than 71 million guests, including seven heads of state, three of whom were United States Presidents, during its first six years.

Increased attendance and per capita spending, as well as effective cost controls, made the fourth quarter of fiscal 1977 the most successful in history for Disney's two amusement theme parks, with combined operating-income increasing 42% for the period.

Fourth quarter attendance at Walt Disney World increased 7.4% to a record 4,236,000, although total attendance declined .4% from the prior fiscal year to 13,057,000. 81% of these visitors were tourists from outside the state of Florida. The "Magic Kingdom" theme park would most certainly have experienced another all-time record year in 1977 had it not been for the extreme cold weather which virtually immobilized the Eastern United States during late January and early February.

At both Florida's "Magic Kingdom" and California's Disneyland, summer, 1977, attendance benefited from an enthusiastic public response to the all-new

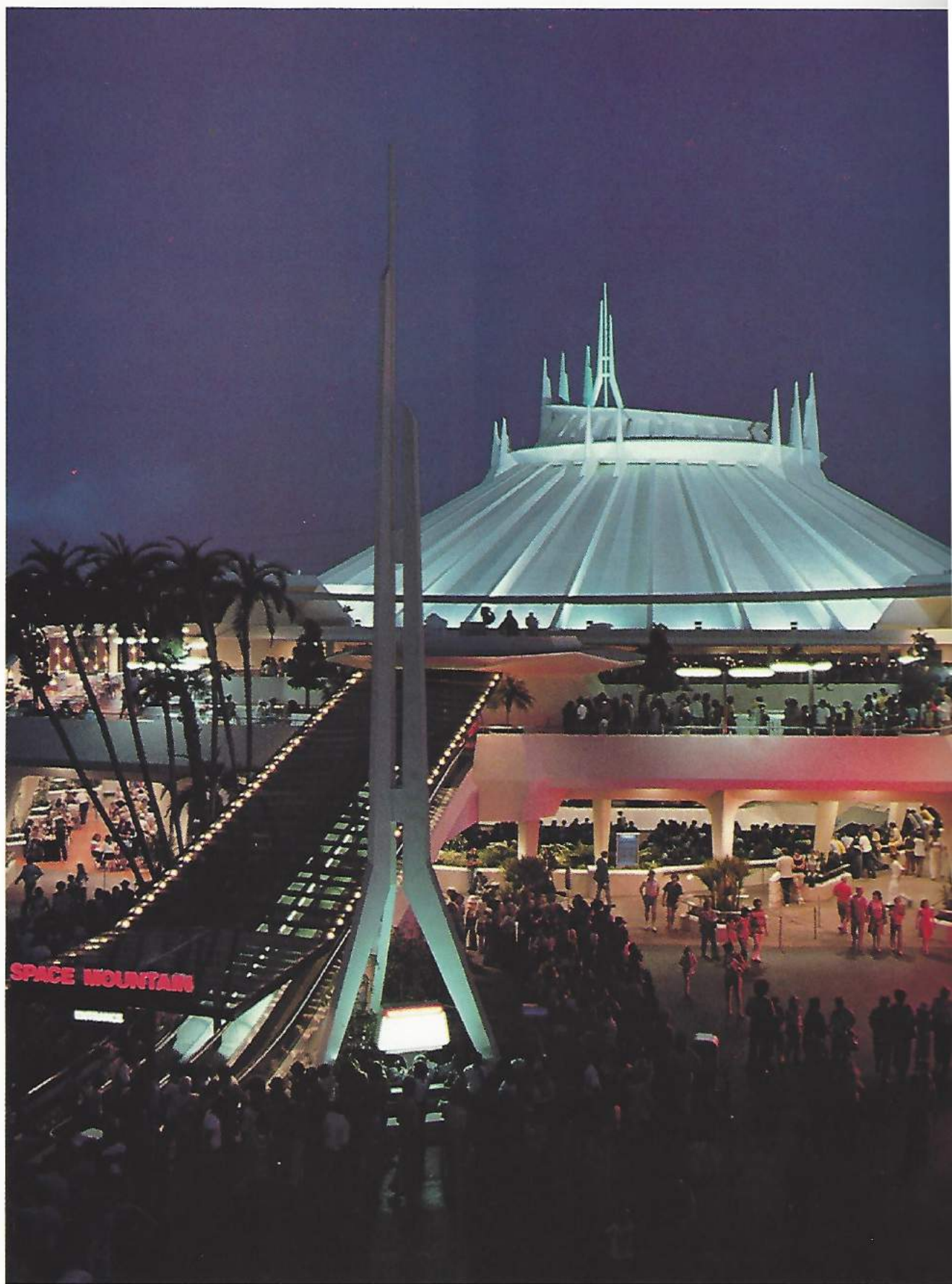
Main Street Electrical Parade. The 1977 holiday season brought to both parks a totally new "Very Merry Christmas Parade," and throughout the 1978 calendar year, the parks will feature "Mickey's 50th Birthday Parade," another all-new Disney themed pageant.

Total revenues at Walt Disney World increased 7.6% to \$274,057,000 during fiscal 1977. The Vacation Kingdom's three resort-hotels—the Contemporary, Polynesian Village and the Golf Resort—operated at a combined occupancy of 98% throughout the fiscal year, while the Fort Wilderness campgrounds experienced an annual occupancy rate of 89%, with 133 more campsites than the prior year.

June, 1978, will mark the opening of 144 additional rooms, a new 336-seat restaurant, a Fun Center and a second swimming pool at the Polynesian Village Resort-Hotel.

"River Country," the popular themed swimming experience at Fort Wilderness, hosted 868,000 guests during the year, despite the fact that the facility was closed for modifications for 54 days in early 1977.

The next major attraction planned for the "Magic Kingdom" theme park will be the Big Thunder Railway, with an opening expected in late 1979.





GROSS REVENUES

	1977	1976	1975	1974	1973
Admissions and rides ..	\$ 65,913,000	\$ 57,013,000	\$ 53,360,000	\$48,947,000	\$46,869,000
Merchandise sales	36,894,000	31,758,000	27,152,000	23,061,000	20,134,000
Food sales	29,279,000	25,718,000	22,776,000	19,813,000	18,555,000
Lessee and other rentals	4,784,000	5,352,000	5,487,000	5,214,000	5,126,000
Other	311,000	373,000	338,000	437,000	505,000
Total revenues	<u>\$137,181,000</u>	<u>\$120,214,000</u>	<u>\$109,113,000</u>	<u>\$97,472,000</u>	<u>\$91,189,000</u>
Total attendance	10,678,000	10,211,000	10,062,000	9,694,000	10,152,000

DISNEYLAND

Attendance at Disneyland in California reached a new all-time record of 10,678,000 during fiscal 1977, an increase of 4.6% over the prior year and the third consecutive year of attendance growth.

Stimulated by the opening of the new Space Mountain complex, another impressive landmark in the Disneyland skyline, fourth quarter attendance increased 11% to a record 4,141,000. Confirming the importance of new attractions in generating repeat visits from local residents, attendance from within California increased 28.4% from June through September, following the Memorial Day formal opening of Space Mountain.

This new complex also features the 670-seat, fast-food Space Place Restaurant, the Starcade electronic arcade, and the Space Stage, Disneyland's first permanent amphitheater-style show facility.

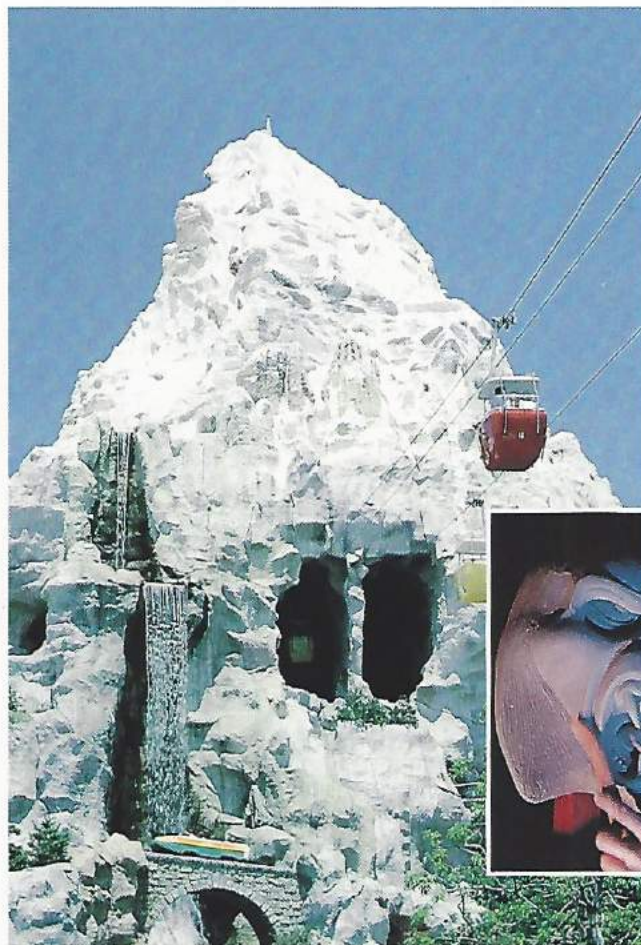
Revenues for the fiscal year increased 14.1% to \$137,181,000.

This past fall, work commenced on the addition of new show elements for the famed Matterhorn ride,

with completion scheduled by June, 1978. New tandem sleds, tracks and ride control systems will increase the attraction's capacity by 71%. Much of the interior of the Matterhorn will be enclosed to house such illusions as icy caverns, fog, a snowstorm and the Abominable Snowman himself.

Site preparation is now complete along the Rivers of America in Frontierland, ready to commence construction of the Big Thunder Railway, Disneyland's third major "thrill-show" experience. Scheduled for opening before the summer of 1979, the Big Thunder Railway will transport guests on a high speed runaway adventure into the wild West, journeying through a southwestern landscape filled with caverns, mining tunnels, earthquakes and avalanches.

Highlighted by continuing favorable public response to the new Space Mountain complex, the reopening of a thrilling new Matterhorn attraction, and a year-long Happy Birthday salute to Mickey Mouse, 1978 promises to be another exciting period in Disneyland's history.



THE SNOWCAPPED MATTERHORN: *Disneyland's first major thrill-show attraction will reopen in June, 1978, with a new ride system and new show elements including the abominable snowman himself.*



THE BIG THUNDER RAILWAY: *These models at the Company's "imagineering" headquarters, WED Enterprises, will guide the construction of Disneyland's third major thrill-show experience, scheduled for opening in 1979.*





THE WORLD BAZAAR: A major new element planned for Tokyo Disneyland is this completely enclosed center for international shopping, dining and entertainment. Shown below is the site of the Company's proposed Japanese theme park, a 600-acre parcel of land bordered on three sides by Tokyo Bay.



TOKYO DISNEYLAND

During the last week of September, representatives of the Company made a comprehensive presentation to Mitsui Real Estate Development Co., Ltd., Oriental Land Co., Ltd., and Keisei Electric Railway Co., Ltd. in Tokyo covering the results of the phase II work performed by WED Enterprises in close liaison with the Japanese interests.

This year-long effort, the expense of which was borne by the Japanese, covered planning, conceptual design, preliminary engineering, preliminary construction, fabrication and installation estimates, operational planning, organizational development planning and marketing and promotional guidelines. This work also developed the areas in which additional information and input will be forthcoming from the Japanese groups covering essential information available to them and based upon their knowledge and information of conditions in their country.

Recently, Oriental Land Co., Ltd. has undergone a major re-organization, with control moving from Keisei Electric Railway Co., Ltd. to Mitsui Real Estate Development Company. Implementation of this change and the necessity for the new organization to appraise the entire project on its own initiative make it probable that a further period of time will elapse before the Japanese and our Company will be in a position to make a decision as to whether the project will go forward.

Further, delays are being experienced in the public access links to the project. The current estimate is that the Tokyo Bay Expressway will not be fully completed until 1982, although the first lanes will open during 1978. The start of construction for the new Keiyo Line Railroad is indefinite at this time.

Assuming a favorable decision to proceed, it would therefore appear that the project could not open to the public before 1982.



THE INDEPENDENCE LAKE PROJECT

During the summer of 1977, the Company and its limited partners, Southern Pacific Land Company and a subsidiary of the Sierra Pacific Power Company, announced their preliminary master plan for a family oriented year-round destination resort in the Independence Lake-Mt. Lola region of Northern California, 13 miles northwest of the city of Truckee.

Visitor facilities, both winter and summer, will be concentrated at the northeast end of this magnificent two-and-one-half mile long lake. Here will be located a 21-acre pedestrian oriented visitor village, lodging units, restaurants, guest services, campgrounds, and base operations for both winter and summer recreational programs.

At full development, there will be accommodations on site for 2,900 guests during the winter and 3,400 during the summer. It is estimated that the project will ultimately host 1,800,000 visitor-days per year, with a maximum of 10,800 guests on site during a peak winter day.



The area offers some of the finest beginning and intermediate ski terrain to be found anywhere in America, with runs emanating from elevations up to 9,100 feet. The terrain is ideally suited for family skiing groups, which will be an essential part of the Disney market.

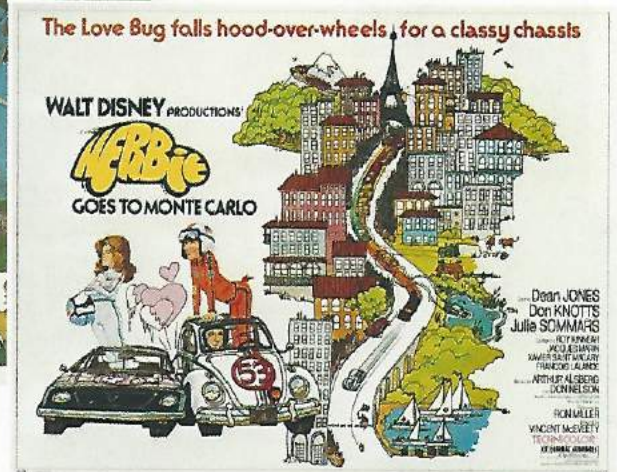
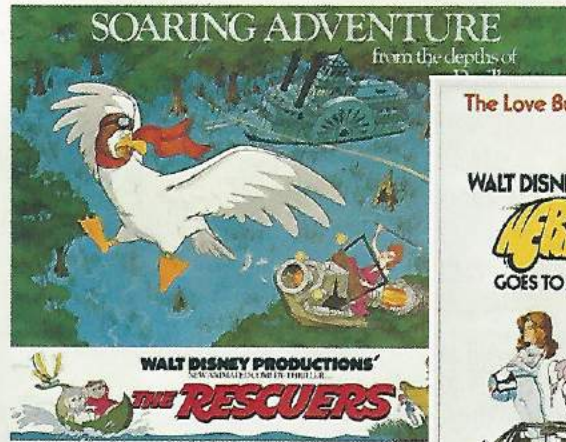
On October 4, 1977, the Company culminated more than three years of environmental and engineering studies and master planning by filing with Sierra County and the United States Forest Service its Environmental Assessment Report, thereby beginning the formal Environmental Impact Statement process with federal, state and local agencies.

There are no assurances at this time that this administrative process, which could take up to eighteen months, will ultimately result in governmental approval for the project. In any event, the Company does not expect to be able to begin work at the site until the spring of 1979. Recognizing that the initial phase of construction will require three full summers to complete, it will therefore be the winter season of 1981-82 before the first facilities could be available to the general public.



Motion Pictures and Television

EXCLUSIVELY DISNEY: The Flora Theater in Amsterdam, completely remodeled to reflect Disney themes throughout, reopened in May, 1977. A number of theaters in foreign countries are now programming Disney films exclusively.



MOTION PICTURE AND TELEVISION DISTRIBUTION

GROSS REVENUES

	1977	1976	1975	1974	1973
Theatrical					
Domestic	\$ 58,723,000	\$ 60,535,000	\$ 61,224,000	\$48,586,000	\$40,185,000
Foreign	36,585,000	39,790,000	37,584,000	29,872,000	26,336,000
Television	★				
Worldwide	22,750,000	18,808,000	13,720,000	11,932,000	9,638,000
Total	\$118,058,000	\$119,133,000	\$112,528,000	\$90,390,000	\$76,159,000

Worldwide film rentals, including television, declined 1% to \$118,058,000 during fiscal 1977, partially due to lower foreign theatrical film results during the second half of the year. Domestic theatrical and television revenues, which had been running behind last year's record pace, rebounded in the fourth quarter to a total of \$30,719,000, up 31.9%, and ended with an increase for the year as a whole.

Worldwide television revenues increased 20.9% to \$22,750,000 during the year, primarily due to an improved contract with NBC Television for the continued broadcast of the Sunday night television series, "The Wonderful World of Disney."

Four new theatrical releases performed exceptionally well for the Company in the United States and Canada during the fiscal year. These films, and their estimated domestic film rentals, were as follows: "The Shaggy D.A.," starring Dean Jones, Tim Conway, Suzanne Pleshette and Keenan Wynn, the Company's Christmas 1976 release (\$10,200,000); "Freaky Friday," a comedy starring Barbara Harris

and Jodie Foster about a mother and daughter who realize their wish to change places for a day, released in February, 1977 (\$11,500,000); "The Rescuers," which for its first domestic release will become the highest grossing full-length animated cartoon in the Company's history (\$16,300,000); and "Herbie Goes to Monte Carlo," the third comedy in a series about a feisty little Volkswagen which has a mind of its own, starring Dean Jones, Don Knotts and Julie Sommars (\$14,000,000).

In October, "The Rescuers" and "Herbie Goes to Monte Carlo" began their long anticipated foreign releases. "The Rescuers" opened to outstanding business in the United Kingdom, while "Herbie Goes to Monte Carlo" began successful engagements throughout most of Europe. With these two films in foreign distribution and with the outstanding domestic release program, described on the following pages, Disney's product lineup for fiscal 1978 will be perhaps the strongest in the Company's history.

CHRISTMAS: "Pete's Dragon" has introduced a new team of artists, a charming new character, and a brazzle dazzle year.



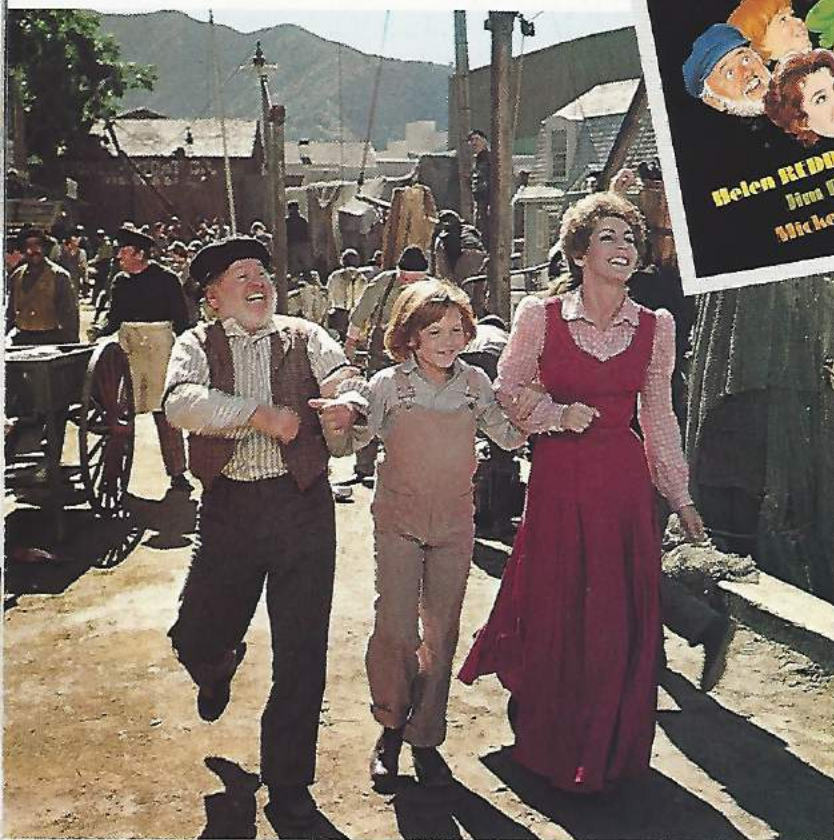
1978: A BRAZZLE DAZZLE YEAR

The new year of Disney motion pictures was launched in November with the spectacular world premiere of *Pete's Dragon* at New York's Radio City Music Hall. The event was preceded by a dazzling parade down Sixth Avenue featuring a 40-foot replica of Elliott, the dragon star of the film, made from over 12,000 individual lights. Also included in the evening's gala entertainment was a live show and the introduction of members of the cast. "Pete's Dragon," a musical fantasy, combines live action and animation with the music of Academy Award winning songwriters, Al Kasha and Joel Hirschhorn and a strong lineup of stars including Helen Reddy, Jim Dale, Mickey Rooney, Red Buttons, Shelley Winters and young Sean Marshall.

The excellent reviews this film has received, together with an impressive number of bookings totaling more than 500 theaters at the general release on December 16th, would indicate that "Pete's Dragon" will be one of the most important features the studio has ever made.

The quality and variety of new product and reissues which will follow "Pete's Dragon" into the spotlight of fiscal 1978, could well make the year one of the most exciting in Disney's history.

In Search Of The Castaways: This will mark the second reissue of the classic Jules Verne fantasy adventure. Hayley Mills, Maurice Chevalier, George Sanders and Wilfrid Hyde-White star in the story of an unlikely group of adventurers who encounter earthquakes, avalanches, flash floods, carnivorous beasts, savage cannibals and a band of cutthroat mutineers in a globe-trotting search for a ship-



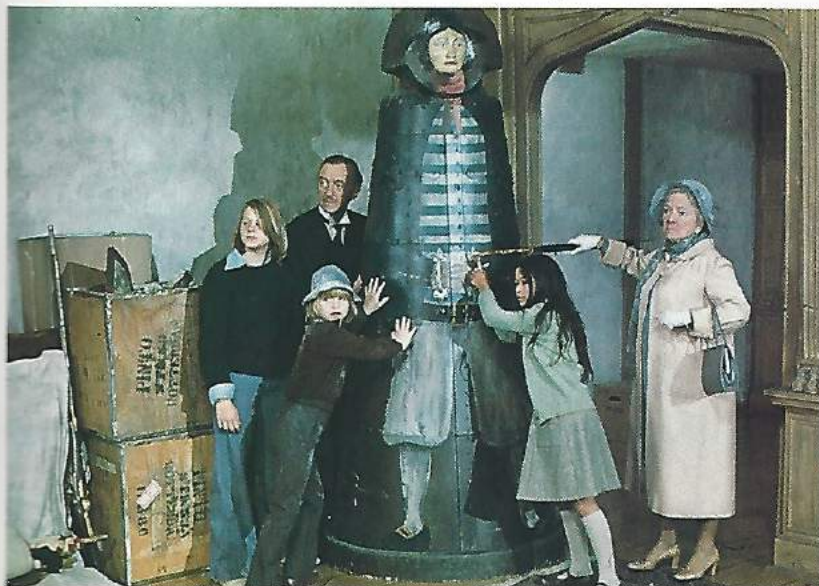
JANUARY: The Jules Verne classic "In Search Of The Castaways," returns to the motion picture screen.

JANUARY



FEBRUARY

FEBRUARY: Helen Hayes, David Niven, Jodie Foster and Leo McKern lead a strong cast in "Candleshoe."

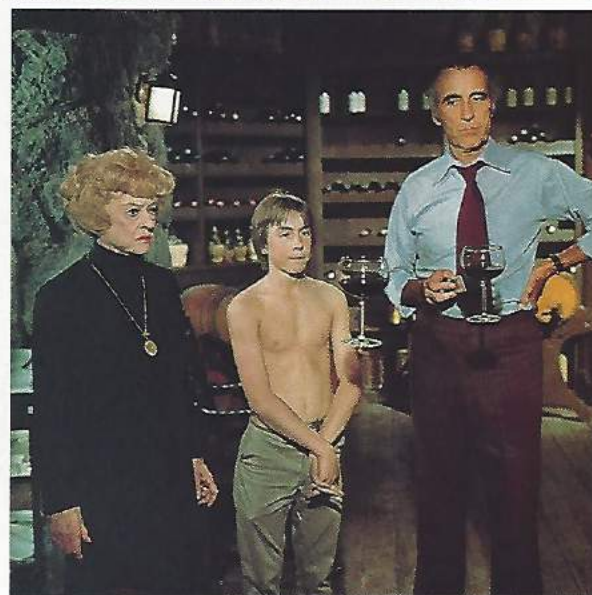


wrecked sea captain. Robert Stevenson directed the Lowell Hawley screenplay.

Candleshoe: The superb talents of David Niven, Helen Hayes, Jodie Foster and Leo McKern combine for a charmingly funny, action-packed result in this new suspense comedy. Filmed on location from inner-city Los Angeles to the provincial countryside beyond London, it tells a contemporary story of a tough tomboy from the slums of L.A. and a mysterious treasure hunt riddle in an English manor house. The film was produced by Ron Miller and directed by Norman Tokar in his fourteenth Disney assignment.

Return From Witch Mountain: Bette Davis and Christopher Lee make their Disney debut as partners in crime in this sequel to our highly successful 1975 release. The film also reunites youngsters Kim Richards and Ike Eisenmann as the remarkable children from another planet. This time their adventures begin—and indeed almost end—when Tony (played by Ike Eisenmann) is kidnapped by a scientist (played by Christopher Lee) who can turn humans into robots. John Hough directed for producers Ron Miller and Jerome Courtland.

The Jungle Book: Returning to the screen in its first reissue, this Disney classic will give the company a head start on the important summer season. Inspired by Rudyard Kipling's stories of a boy who lives in the jungle, it features voice characterizations by Phil Harris, Louis Prima, George Sanders, Sterling Holloway and Sebastian Cabot. The encore performance of "The Jungle Book," the last animated feature to be personally produced by Walt Disney, is expected to receive a warm and exciting reception.



EASTER: Bette Davis and Christopher Lee make Disney debuts in "Return From Witch Mountain."

EASTER



JUNE: The classic "Jungle Book" encores.

JUNE

SUMMER



SUMMER 1978: Two new hilarious comedies will be introduced: "The Cat From Outer Space" and "Bloodshy" (below).



The Cat From Outer Space: This cosmic comedy about an extra-terrestrial feline features one of the best collections of comedic actors the studio has ever put together. Ken Berry, Sandy Duncan and McLean Stevenson star as a group of unorthodox scientists. Roddy McDowall is a sneaky double agent. Hans Conried is the head of an Energy Research Lab and den mother to the scientists. Harry Morgan is the leader of a pack of pass-the-buck military, with most of the bucks falling to co-star Ronnie Schell. The screenplay was written by Ted Key, who created the famous "Hazel" comic strip, directed by Norman Tokar and produced by Ron Miller and Tokar.



Bloodshy: A rip-roaring comedy saga of the Old West, this new release showcases the talents of Jim Dale, who gave such an impressive performance in "Pete's Dragon." This time Dale is three times as funny as he stars in three roles: cranky old Jasper Bloodshy and both of his twin sons—gun-toting Wild Billy and Eli, a mild-mannered dude from the East. Also starring are Karen Valentine, Don Knotts, Jack Elam and Darren McGavin. Robert Butler directed the film on locations near Bend, Oregon; with Ron Miller and Chris Hibler producing.

These five new films and two reissues cover a broad spectrum of styles and stories while still maintaining a single thread. Each represents the "finest in family entertainment."

SUMMER





NORTH AVENUE IRREGULARS: This contemporary comedy is set for release at Christmastime, 1978.

MOTION PICTURE AND TELEVISION PRODUCTION

by Ron Miller, Executive Vice President in charge of Production and Creative Affairs

This past November we completed principal photography on "The North Avenue Irregulars," which will be our Christmas, 1978, attraction. A comedy and a true story about a preacher and a group of mothers in an eastern American community who combine to defeat organized crime in their city, it stars Susan Clark, Cloris Leachman, Barbara Harris, Karen Valentine, Virginia Capers and Edward Herrmann. The film was directed by Bruce Bilson and co-produced by Tom Leetch.

Don Tait, who wrote the screenplay for "The North Avenue Irregulars," is now writing two additional films which we plan for production during 1978, "Trail's End" and "King Arthur and the Astronaut."

"Trail's End" will be a sequel to "The Apple Dumpling Gang," in which we plan to reunite Don Knotts and Tim Conway. This western comedy focuses on two inept outlaws who try to go straight but end up enlisting in the Army to elude a famous

lawman whose reputation they have tarnished. Along the way they destroy an entire Army fort and then redeem themselves by helping to solve a series of thefts.

"King Arthur and the Astronaut," which we plan to film in England next summer, is an adventure story about a young 20th century scientist/engineer who, by accident, takes a space ride into the past. Using modern technology, he helps King Arthur defeat his enemies and wins the hand of a fair young maiden.

Co-producer Jerry Courtland, who made such an important contribution to our wonderful musical fantasy, "Pete's Dragon," is now working with writers Don Nelson and Arthur Alsberg to develop "The Genie of Sutton Place." This contemporary comedy involves a young boy in New York City who, by chance, reads words from a parchment and calls a genie out of a magnificent tapestry. The genie has a limited amount of time to find the key to the treasure of life or he will be locked in the tapestry forever.

THE SMALL ONE: This featurette-length film could easily become a Disney Christmas classic for theaters around the world.

SPACE PROBE: The wizardry of Disney special effects begins with renderings and study models for this "science future" adventure, planned for production during 1978.



We are also proceeding with our plans to prepare "Space Probe" for production during the coming year. This futuristic science fiction story is being developed by co-producer Chris Hibler, production designer Peter Ellenshaw, and writer Jeb Rosebrook. Set approximately 250 years into the future, it will be the story of a scientific survey searching our galaxy for other sources of life. Our adventurers and their computer-driven robots discover a ghost ship hovering near a black hole in space. They soon discover that this mysterious ship had been sent out from earth many years before and had disappeared. The answer to what they find aboard the ship and the phenomena of experiencing a trip into and through a black hole in outer space will provide a thrilling climax for the film.

We have begun full animation on our next feature-length cartoon, "The Fox and the Hound." Pearl Bailey, Mickey Rooney, Sandy Duncan and Jack Albertson have already been signed to do voice characterizations for this heartwarming story about two animals who begin life as friends, but later realize that they should be enemies.

In addition to "The Fox and the Hound," which we have targeted for release at Christmas, 1980, our animation team is currently at work on "The Small One." A stylized, featurette-length Christmas story about a young boy who is given one day to sell his beloved donkey. He is, of course, unable to find anyone to purchase the animal until he encounters a husband and wife who must make a journey to Bethlehem.



The 1977-78 season of "The Wonderful World of Disney," our 24th consecutive season of television production, has been expanded to include eleven two-hour Sunday night specials and a 90-minute full-length presentation of "The Incredible Journey." This expanded program includes six theatrical films, two two-hour vertical programs and three motion pictures made especially for television. Two of these original motion pictures are scheduled for broadcast on NBC Television during February, 1978.

"The Million Dollar Dixie Deliverance," which stars Brock Peters and Kip Niven, is an exciting Civil War adventure about five kidnapped Yankee school children who outwit the rebel forces and make their way to freedom.

"The Ghost Belongs to Me," which stars Anthony Zerbe, Nina Foch, Barbara Barrie and Biff McGuire, is the story of a 13-year-old boy who must solve a mysterious riddle that will allow the ghost of a Civil War era Creole girl to rest, or he will be haunted for the rest of his life.

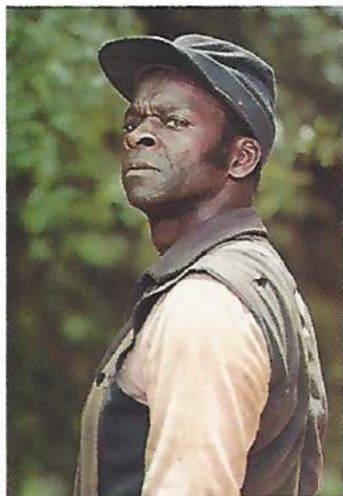
I am extremely grateful for the support I continually receive from our entire creative team here at Walt Disney Productions, and I feel today, more than ever, that we are prepared to move forward with challenging, new filmed entertainment projects consistent with Disney's worldwide reputation for quality family entertainment.

Ron Miller
Ron Miller



THE FOX AND THE HOUND: 1980 is the projected release date for this, Disney's newest full-length cartoon feature, now being animated at the studio.

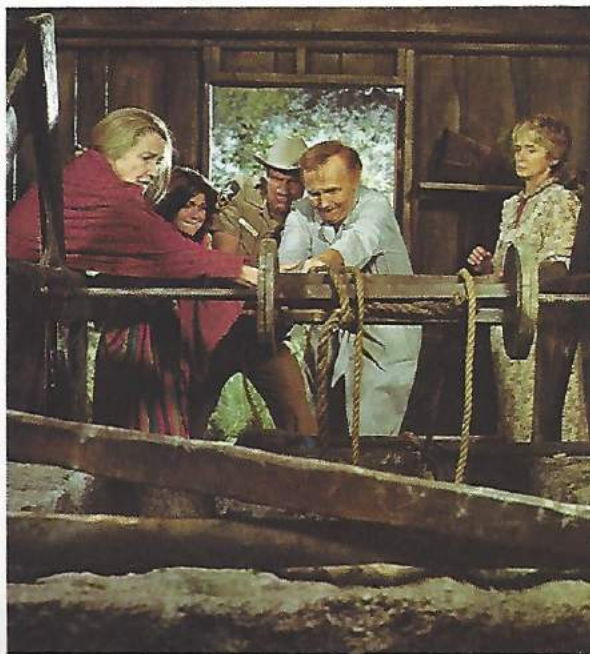
MILLION DOLLAR DIXIE DELIVERANCE: Made especially for television, this Civil War adventure stars Brock Peters (right) and Kip Niven.



THE SNATCHING OF LITTLE FREDDIE: One of three made-for-television motion pictures (below).



THE GHOST BELONGS TO ME: A contemporary thriller scheduled for telecast in February of 1978.



Consumer Products and Other



TOTAL MARKETING:
"Pete's Dragon" activities
represent the most
comprehensive effort in
company history.

CONSUMER PRODUCTS AND OTHER

GROSS REVENUES

	1977	1976	1975	1974	1973
Community of Lake Buena Vista and Shopping Village	\$23,125,000	\$17,728,000	\$ 8,477,000	\$ 1,892,000	\$ 1,257,000
Educational media	20,714,000	17,743,000	15,809,000	12,534,000	8,556,000
Character merchandising	17,743,000	21,058,000	20,811,000	15,128,000	13,035,000
Records and music publishing	13,858,000	12,173,000	10,203,000	15,233,000	13,655,000
Publications	12,861,000	11,090,000	9,907,000	8,633,000	8,356,000
Other	8,890,000	6,774,000	5,198,000	3,654,000	2,533,000
Total	\$97,191,000	\$86,566,000	\$70,405,000	\$57,074,000	\$47,392,000

Aside from phasing out the Distributing Company, the Consumer Products Group reported strong performances from all of its activities. This, coupled with continued growth in the Community of Lake Buena Vista and the re-named Walt Disney World Village, resulted in record divisional revenues, up 12% to \$97,191,000 and operating income of \$35,826,000, up 21%.

1977 saw the Disney concept of total marketing effectively applied to the planning and development of two major promotions: "The Rescuers," which contributed substantially to the Consumer Product

Group results through record albums, children's books and character merchandise, and "Pete's Dragon," which will support the film's domestic release during the coming year.

The latter began this past Christmas and represents the most comprehensive effort in the history of Disney consumer products, involving nearly every ancillary business of the company. More than 30 licensees are featuring "Pete's Dragon" merchandise, while an additional six companies are conducting consumer promotions in connection with the film.

The experience gained in these collective marketing efforts will be applied during 1978 to a major promotion supporting the Happy 50th Birthday celebration of Mickey Mouse.

During fiscal 1977, *Character Merchandise* revenues (excluding Distributing Company activities) increased 20.2%, and *Publications* revenues increased 16%.

Among the most successful additions in character merchandise were items created for the summer release of "The Rescuers." These ranged from children's lunch boxes to wristwatches and tea sets with total sales estimated at more than \$10 million at retail level.

A new Disney Original Art Program, which includes four \$1,000 limited edition portfolios of anima-

this continuing success, the club concept is being extended with an advanced reader's Book Club developed in conjunction with Random House to carry young readers to their teens. This series of unique new books will combine condensed versions of classic Disney stories with special magazine-type features which explore the theme of the story.

Revenues in *Records* and *Music Publishing* increased 13.8% to \$13,858,000. The "All New Mickey Mouse Club" album was named the number one children's album of the year by two leading trade journals and reached over \$500,000 in sales. "The Rescuers" record product was the fastest selling children's album nationwide this summer, with sales in excess of 400,000 units in a four month period. In England, "The Greatest Hits of Walt Disney," marketed by Ronco Teleproducts, was certified a gold record for sales of more than \$500,000.

During 1978, the musical score from "Pete's Dragon" will generate a full line of record product. The Record Company is also preparing a special promotion for the "Jungle Book" record product in conjunction with the June re-release of the film. During its initial release the story-telling album earned a gold record. Following its successful introduction in England, "The Greatest Hits of Walt Disney" is being marketed in the United States and test marketed in Germany. To capitalize on the expanding cassette market, a complete line of children's cassette packages have already been released. A "Golden Jubilee" album commemorating the 50th birthday of Mickey Mouse will climax the Company's 1978 product release and sales activities.

In Music Publishing, fiscal 1978 will mark the introduction of a series of Disney Youth Musicals, a new performing arts teaching program based on Disney film classics. In the new year, the "Pete's Dragon" music score will also be added to the Disney catalog of song material.

The *Educational Media Company* also achieved new record revenues up 16.7% to \$20,714,000. All three operating divisions, Educational Films and Materials, Non-Theatrical Film Rental and Super 8 Home Movies reported improved results.

A record number of new educational media products were introduced to schools around the world, including important new audio-visual packages which incorporate the motivational impact of Disneyland into teaching materials on language arts, metrics and music. As part of a multimedia kit, The Wide World Of Energy, a new comic book, "Mickey Mouse and Goofy Explore Energy" was created. Exxon U.S.A. has distributed nearly 6,000,000 copies of this critical and popular success to schools and community organizations across the country.



COLLECTOR'S ITEMS: Bronze sculptures of Mickey Mouse and other Disney characters are part of a new Original Art Program. Music Company record product (below) won accolades during 1977.

tion cells inspired by classic Disney motion pictures and a limited edition series of character sculptures, is now exclusively available at selected art galleries around the world, and is establishing Disney art as a genuine native art form among collectors.

Publishing activities in the last year included the expansion of the beginning reader's Book Club, the "Wonderful World of Reading," into France, Germany and French-speaking Canada. With these additions to the existing clubs in the United States, English-speaking Canada and Scandinavia, more than 1,000,000 books are now being sold each month at an average retail price of three dollars. Based upon

Financial Statements

Super 8 Home Movies launched the strongest title offerings in its history with 18 new releases, including Donald Duck in sound for the first time in an excerpt from the Disney classic, "The Three Caballeros." The 8mm Division also continued to expand its distribution organization, resulting in a 40% increase in the number of retail outlets carrying the product line.

The Non-Theatrical Film Rental Division's record year was achieved in an essentially flat market and reflected both a strong new product offering and significantly more aggressive marketing.

The International Division of the Walt Disney Educational Media Company achieved record revenues in all three areas.

At the *Community of Lake Buena Vista*, the year saw the debut of a new bakery, an ice cream parlor, and the popular Empress Lilly Riverboat Restaurant in the re-named Walt Disney World Village, as well as the commencement of construction for the first office building in Commerce Commons, and for 64 new energy-saving Fairway Villas, or three-unit cluster homes, along the fairways of the Lake Buena Vista Club.



MOTIVATIONAL MAGIC: In 1977, schools were offered teaching materials based upon Disneyland attractions.



THE EMPRESS LILLY: This Mississippi Sternwheeler replica, featuring three restaurants, permanently dropped anchor in Lake Buena Vista in May, 1977.



CONSOLIDATED STATEMENT OF INCOME

	Year Ended September 30	
	1977	1976
REVENUES		
Entertainment and recreational activities	\$414,576,000	\$378,197,000
Film rentals	118,058,000	119,133,000
Consumer products and other	97,191,000	86,566,000
Total revenues	<u>629,825,000</u>	<u>583,896,000</u>
COSTS AND EXPENSES OF OPERATIONS		
Entertainment and recreational activities	321,145,000	305,298,000
Film rentals	67,664,000	61,261,000
Consumer products and other	61,365,000	57,052,000
Total costs and expenses of operations	<u>450,174,000</u>	<u>423,611,000</u>
OPERATING INCOME BEFORE CORPORATE EXPENSES		
Entertainment and recreational activities	93,431,000	72,899,000
Film rentals	50,394,000	57,872,000
Consumer products and other	35,826,000	29,514,000
Total operating income before corporate expenses	<u>179,651,000</u>	<u>160,285,000</u>
CORPORATE EXPENSES		
General and administrative	26,905,000	20,474,000
Design projects abandoned	1,740,000	3,182,000
Interest income—net	(6,341,000)	(3,570,000)
Total corporate expenses	<u>22,304,000</u>	<u>20,086,000</u>
INCOME BEFORE TAXES ON INCOME	157,347,000	140,199,000
Taxes on income (note 2)	<u>75,400,000</u>	<u>65,600,000</u>
NET INCOME	<u>\$ 81,947,000</u>	<u>\$ 74,599,000</u>
EARNINGS PER SHARE	<u>\$2.57</u>	<u>\$2.34</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Balance at beginning of the year	\$221,189,000	\$195,356,000
Net income for the year	81,947,000	74,599,000
Dividends		
Cash (15¢ and 12¢)	(4,725,000)	(3,659,000)
Stock (3%)	<u>(40,512,000)</u>	<u>(45,107,000)</u>
Balance at end of the year	<u>\$257,899,000</u>	<u>\$221,189,000</u>

See notes to consolidated financial statements and summary of significant accounting policies.

CONSOLIDATED BALANCE SHEET

	September 30	
	1977	1976
ASSETS		
CURRENT ASSETS		
Cash	\$ 10,744,000	\$ 8,567,000
Short term investments, at cost which approximates market	164,134,000	101,118,000
Accounts receivable	22,832,000	21,287,000
Inventories		
Film production costs (note 1)	48,694,000	25,158,000
Merchandise, materials and supplies	33,680,000	32,312,000
Prepaid expenses	9,810,000	7,434,000
Total current assets	289,894,000	195,876,000
 FILM PRODUCTION COSTS—NON-CURRENT (note 1)	31,953,000	45,520,000
 ENTERTAINMENT ATTRACTIONS AND FACILITIES, at cost	707,335,000	678,000,000
Less accumulated depreciation	(211,419,000)	(181,939,000)
	495,916,000	496,061,000
 OTHER BUILDINGS AND EQUIPMENT, at cost	114,540,000	103,812,000
Less accumulated depreciation	(28,740,000)	(24,185,000)
	85,800,000	79,627,000
 CONSTRUCTION AND DESIGN PROJECTS IN PROGRESS, at cost	31,211,000	31,077,000
 LAND, at cost	17,013,000	16,777,000
 OTHER ASSETS	12,688,000	8,987,000
	<u>\$964,475,000</u>	<u>\$873,925,000</u>

See notes to consolidated financial statements and summary of significant accounting policies.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended September 30	
	1977	1976
FINANCIAL RESOURCES WERE PROVIDED BY:		
Operations		
Net income	\$ 81,947,000	\$ 74,599,000
Expenses not affecting working capital		
Depreciation	37,360,000	34,975,000
Amortization of preopening and prepaid pension costs	790,000	2,084,000
Amortization of film production costs, non-current	5,262,000	2,996,000
Design projects abandoned	759,000	1,851,000
Deferred taxes on income and investment credits	6,978,000	12,194,000
Working capital provided from operations	133,096,000	128,699,000
Increase in long term liabilities	1,603,000	1,389,000
Proceeds from exercise of stock options and tax benefits	1,602,000	2,699,000
	<u>136,301,000</u>	<u>132,787,000</u>
FINANCIAL RESOURCES WERE USED FOR:		
Additions to entertainment attractions and facilities, other buildings and equipment, and construction and design projects in progress	44,517,000	43,708,000
Additions to non-current film production costs	34,699,000	35,559,000
Less transfer to current film production costs	(43,004,000)	(17,267,000)
Reduction of long term liabilities	575,000	718,000
Cash dividends	4,725,000	3,659,000
Decrease in unearned deposits and advances	1,008,000	2,947,000
Prepaid pension funding	3,900,000	
Other	591,000	663,000
	<u>47,011,000</u>	<u>69,987,000</u>
INCREASE IN WORKING CAPITAL	<u>\$ 89,290,000</u>	<u>\$ 62,800,000</u>
INCREASE (DECREASE) IN COMPONENTS OF WORKING CAPITAL:		
Cash	\$ 2,177,000	\$ 137,000
Short term investments	63,016,000	68,915,000
Accounts receivable	1,545,000	(1,748,000)
Inventories	24,904,000	3,078,000
Prepaid expenses	2,376,000	120,000
Accounts payable	(96,000)	(1,118,000)
Payroll and employee benefits	(1,693,000)	1,408,000
Property, payroll and other taxes	330,000	(1,588,000)
Unearned deposits and advances	1,198,000	(1,861,000)
Taxes on income	(4,467,000)	(4,543,000)
	<u>\$ 89,290,000</u>	<u>\$ 62,800,000</u>

See notes to consolidated financial statements and summary of significant accounting policies.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's principal business is the production and distribution of theatrical and television films, referred to as film rentals, and the operation of two amusement theme parks, "Disneyland," California, and "Walt Disney World," Florida, which are referred to as entertainment and recreational activities. In addition, the Company has operations including music and records, character merchandising, publications and educational media materials, all referred to as consumer products and other. The following summary of the Company's significant accounting policies is presented as an integral part of the financial statements.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its domestic and foreign subsidiaries, substantially all wholly owned.

FILM PRODUCTION COSTS AND AMORTIZATION

Costs of completed theatrical and television film productions (negatives), together with applicable capitalized exploitation costs, are amortized by charges to income in the proportion that gross revenue received by the Company during the year for each production bears to the estimated total gross revenue to be received from all sources. Estimates of total gross revenue are reviewed periodically and amortization is adjusted accordingly. When unamortized cost exceeds the estimated producers share of film rentals the carrying value of the film is adjusted to net realizable value.

INVENTORIES

Costs of merchandise, materials and supplies inventories are generally determined on the moving average basis and are stated at the lower of cost or market.

ENTERTAINMENT ATTRACTIONS, FACILITIES AND OTHER BUILDINGS AND EQUIPMENT

The Company classifies the costs of its two amusement theme parks (rides, attractions, exhibits, shops), recreational facilities (lake, lagoon, golf courses), theme resort hotels and direct support properties including buildings (warehouses, maintenance shops, administration), transportation systems and roads as entertainment attractions and facilities. Other buildings and equipment consist of properties at the Burbank studio, The Village shopping complex and other properties not directly related to entertainment and recreational

activities. At any one point in time, the Company will have a number of projects in the concept, design, or construction phases related to attractions, facilities and other buildings and equipment. All projects in progress are evaluated on a continuing basis and upon completion, costs of major replacements and betterments are capitalized. When it is determined that a project in progress has no future use, the costs of such project are charged to income under the caption "Design Projects Abandoned."

Depreciation is provided principally on the straight line method using estimated service lives ranging from four to fifty years. Depreciation and maintenance and repairs are charged either directly to costs and expenses as incurred or to film production costs which are then amortized against income. The cost and related accumulated depreciation of property sold or retired are removed from the accounts and any resulting gain or loss is recorded in income.

TAXES ON INCOME

Taxes are provided on all revenue and expense items included in the consolidated statement of income, regardless of the period in which such items are recognized for income tax purposes, except for items representing a permanent difference between pretax accounting income and taxable income. Investment tax credits, accounted for by the deferral method, are amortized as a reduction of the provision for taxes on income over the average service lives of the related assets.

STOCK OPTIONS

Proceeds from the sale of common stock issued under stock option plans are accounted for as capital transactions and no charges or credits are made to income in connection with the plans.

EARNINGS PER SHARE

Earnings per common and common equivalent share are computed on the basis of the average number of shares outstanding during each year, retroactively adjusted to give effect to all stock splits and stock dividends. It is assumed that all dilutive stock options are exercised at the beginning of each year and that the proceeds are used to purchase shares of the Company's common stock at the average market price during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

INVENTORIES—FILM PRODUCTION COSTS:

Inventories of theatrical and television film productions consist of the following components:

	1977	1976
Released, less amortization	\$38,977,000	\$25,820,000
Completed, not yet released	22,492,000	6,387,000
In process	19,178,000	38,471,000
	<u>80,647,000</u>	<u>70,678,000</u>
Less: Non-current film production costs	31,953,000	45,520,000
Current film production costs	<u>\$48,694,000</u>	<u>\$25,158,000</u>

Non-current film production costs include costs of theatrical and television films in process of production, portions of completed theatrical film costs allocated to television and portions of completed television film costs allocated to foreign markets.

NOTE 2

TAXES ON INCOME:

The provision for taxes is composed of the following:

	1977	1976
Currently Payable		
—Federal	\$57,385,000	\$46,606,000
—State	6,030,000	5,235,000
—Foreign	3,824,000	3,387,000
Deferred		
—Federal	10,426,000	12,397,000
—State	735,000	808,000
—Investment credits amortized ..	(3,000,000)	(2,833,000)
	<u>\$75,400,000</u>	<u>\$65,600,000</u>

The significant components of deferred taxes on income included in the provision for taxes on income are as follows:

	1977	1976
Excess of tax over book depreciation and amortization	\$ 9,068,000	\$12,230,000
Investment credits claimed for tax purposes in excess of amortization under deferral method for financial reporting purposes	399,000	581,000
Other	(1,306,000)	(2,439,000)
Total provision for deferred taxes on income	<u>\$ 8,161,000</u>	<u>\$10,372,000</u>

The difference between the U.S. federal income tax rate of 48% and the Company's effective income tax rate is explained below:

	1977	1976
Federal income tax rate	48.0%	48.0%
State income taxes, net of federal income tax benefit	2.2	2.2
Reduction in taxes resulting from:		
Investment tax credits	(1.9)	(2.0)
Tax benefit from domestic international sales corporation	(.3)	(1.2)
Other	(.1)	(.2)
Effective income tax rate	<u>47.9%</u>	<u>46.8%</u>

Net deferred taxes of \$7,437,000 at September 30, 1977 (\$6,254,000—1976) are included in taxes on income shown under current liabilities on the balance sheet.

Deferred investment tax credits amount to \$17,659,000 at September 30, 1977 (\$17,260,000—1976).

The Company's claim for a refund of federal income tax, plus interest, attributable to investment tax credits on theatrical and television negatives for its fiscal year 1970 has been satisfied and is reflected in the Company's accounts.

NOTE 3

PENSION PLANS:

The Company contributes to various domestic trustee pension plans under union and industry-wide agreements. Contributions are based on the hours worked by or gross wages paid to covered employees. The Company has no past service liability under these plans.

The Company has pension plans covering substantially all of its domestic employees not covered by union or industry pension plans. The plans are funded by Company and employee payments to a trust administered by a bank. At June 30, 1977, the date of the latest actuarial evaluation, the market value of the fund's assets exceeded the actuarially computed vested benefits by \$4,939,000. In October 1976, the Company prepaid to the trust the actuarially computed past service liability of the plans as of June 30, 1976, in the amount of \$4,335,000. This amount is being amortized to expense over twelve years. The Company has also established a non-qualified and unfunded key employee retirement plan providing for Company and domestic employee contributions. The amount accrued under this plan was \$5,810,000 at September 30, 1977 (\$4,355,000—1976); the actuarially computed unaccrued past service liability at the date of the latest computation was approximately \$4,300,000.

The aggregate cost of all these plans was \$4,668,000 and \$3,974,000 for fiscal years 1977 and 1976, re-

spectively, including amortization of actuarially computed prior service costs, where applicable, over periods ranging to thirty-five more years.

The Employee Retirement Income Security Act of 1974 has required certain revisions to the Company's pension plans. Management believes these revisions will not have a material effect on future pension expense or funding requirements.

NOTE 4

STOCKHOLDERS EQUITY:

A 3% stock dividend was issued to stockholders of record on December 22, 1976 and December 19, 1975, resulting in the issuance of 922,196 and 893,384 common shares in fiscal years 1977 and 1976, respectively, and in a transfer of \$40,512,000 in fiscal year 1977 (\$45,107,000-1976) from retained earnings to invested capital.

Under the Company's 1967 and 1973 stock option plans, \$1,126,000 was received in fiscal year 1977 (\$1,739,000-1976) and credited to invested capital for 53,138 and 76,559 option shares exercised in fiscal years 1977 and 1976, respectively. Income tax benefit from sale of option shares by employees of \$476,000 was credited to invested capital in fiscal year 1977 (\$960,000-1976). Options are granted to key executive, management and creative personnel at prices equal to market price at date of grant. The options and prices set forth below have been adjusted, where applicable, for all subsequent stock splits and stock dividends.

Transactions under the plans during fiscal year 1977 were as follows:

	Number of Shares	
	Options Granted	Available For Grant
Outstanding September 30, 1976		
(\$21.08 to \$87.88 per share).....	497,279	305,004
Added for 3% stock dividend	14,729	9,032
Cancelled	(18,922)	11,842
Granted (\$44.17 per share).....	5,465	(5,465)
Exercised (\$21.08 to \$21.71 per share).....	(53,138)	
Outstanding September 30, 1977		
(\$21.08 to \$87.88 per share).....	445,413	320,413

Options are exercisable beginning not less than one year after date of grant. Qualified options expire five years after date of grant and non-qualified options expire ten years after date of grant. At September 30, 1977, 4,640 shares granted under the 1967 plan were exercisable at \$45.95 to \$87.88 per share and 169,151 shares granted under the 1973 plan were exercisable at \$21.08 to \$82.04 per share.

In February 1977 the shareholders of the Company approved an amendment to the Articles of Incorporation that eliminated par value pursuant to the recently adopted California Corporations Code and consequently the stockholders equity section of the Balance Sheet has been reclassified.

NOTE 5

COMMITMENTS AND CONTINGENCIES:

Pursuant to an agreement for the use of the name of Walt Disney, Retlaw Enterprises, Inc. (a company owned by the family of the late Walter E. Disney) received royalty payments of approximately \$4,714,000 and \$3,550,000 from the Company for fiscal years 1977 and 1976, respectively; in accordance with such name agreement, the payments in fiscal year 1977 included \$2,649,000 (\$1,817,000-1976) as a participation by Retlaw of 5% in the profits, as defined in that agreement, of certain Walt Disney World operations.

Under an agreement with a bank the Company has available an unsecured revolving line of credit of \$50,000,000 under which the Company maintains on deposit 10% of the committed funds plus 10% of any borrowings. At September 30, 1977 the Company had no borrowings.

The Company is a defendant with other motion picture producers or distributors in a number of private treble damage actions asserting claims under the federal anti-trust laws. These actions, which seek damages aggregating hundreds of millions of dollars, are in various stages of pre-trial proceedings. The Company has denied the material allegations of the complaints in these actions and in the opinion of management and counsel the Company will not suffer any material liability by reason thereof.

NOTE 6

OPERATIONS BY QUARTER (UNAUDITED):

A summary of certain information pertaining to operating results for each quarter of fiscal years 1977 and 1976 is shown below (in thousands of dollars, except for per share data).

	December 31	March 31	June 30	September 30
1977				
Revenues	\$119,529	\$139,996	\$165,103	\$205,197
Operating income before corporate expenses	27,453	39,716	44,772	67,710
Income before taxes on income	22,528	33,886	38,855	62,078
Net income	11,828	17,786	20,355	31,978
Earnings per common and common equivalent share ..	.37	.56	.64	1.00
1976				
Revenues	115,736	139,502	148,671	179,987
Operating income before corporate expenses	26,123	40,250	41,061	52,851
Income before taxes on income	21,169	34,029	35,865	49,136
Net income	11,169	18,029	18,865	26,536
Earnings per common and common equivalent share ..	.35	.56	.59	.84

NOTE 7

REPLACEMENT COST INFORMATION (UNAUDITED):

The Company has experienced the normal effects of inflation in recent years. By improving productivity, controlling costs and increasing selling prices, where competitive conditions permit, the Company has sought to lessen the impact of inflation. The Company does not anticipate that its future cash flow will be significantly affected by capital expenditures for replacement of plant and equipment.

In compliance with Securities and Exchange Commission requirements, the Company has presented replacement cost information in its Form 10-K Report with that agency (a copy of which is available upon request). In issuing its requirements, the Commission expressed caution and warning concerning inconsistency, lack of comparability, and simplistic use of the replacement cost data. Further, the Company does not believe that the required techniques and related calculations produce meaningful data because

of the highly theoretical nature of and the imprecisions inherent in the replacement cost exercise and the subjectivity necessarily involved in making those estimates. In addition, the requirement ignores circumstances, such as exist with the Company, where existing capacity can be maintained on a cost competitive basis by a comprehensive maintenance and refurbishment program.

Regardless of the reservations expressed above, the Company has sought conscientiously to formulate the replacement cost data in accordance with the SEC's requirements. The disclosure contains specific information with respect to estimates of the current replacement cost of the productive capacity of the Company and its subsidiaries as of September 30, 1977 together with related amounts of costs and expenses on the basis of replacement cost for the year then ended.

REPORT OF INDEPENDENT ACCOUNTANTS



1880 CENTURY PARK EAST
WEST LOS ANGELES, CALIFORNIA 90067

November 21, 1977

To the Board of Directors and Stockholders
of Walt Disney Productions

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, retained earnings and changes in financial position present fairly the financial position of Walt Disney Productions and its subsidiaries at September 30, 1977 and 1976, and the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

PARENT COMPANY

WALT DISNEY PRODUCTIONS

500 S. Buena Vista Street, Burbank, California
Produces motion pictures for theatrical and television distribution —operates Disneyland Park—conducts ancillary activities.

BOARD OF DIRECTORS

CAROLINE LEONETTI AHMANSON,
Business woman, civic leader and philanthropist

WILLIAM H. ANDERSON,
Producer

ROY E. DISNEY,
Producer

PHILIP M. HAWLEY,
*President, Carter Hawley Hale Stores, Inc.
(retail merchandising)*

RONALD W. MILLER,
*Executive Vice President-
Production and Creative Affairs*

RICHARD T. MORROW,
Vice President-General Counsel

DONN B. TATUM,
Chairman of the Board

E. CARDON WALKER,
President and Chief Executive Officer

RAYMOND L. WATSON,
*President, The Newport Development Co.
(land development)*

DIRECTORS EMERITUS

GEORGE L. BAGNALL
GORDON E. YOUNGMAN

MEMBERS OF EXECUTIVE COMMITTEE

RONALD W. MILLER
DONN B. TATUM
E. CARDON WALKER

MEMBERS OF AUDIT COMMITTEE

CAROLINE LEONETTI AHMANSON
PHILIP M. HAWLEY
DONN B. TATUM
RAYMOND L. WATSON

CORPORATE OFFICERS

Donn B. Tatum
Chairman of the Board

E. Cardon Walker
President and Chief Executive Officer

Ronald W. Miller
*Executive Vice President-Production
and Creative Affairs*

Michael L. Bagnall
Vice President-Finance and Treasurer

Barton K. Boyd
Vice President-Retail Merchandising

Ronald J. Cayo
Vice President-Business Affairs

Robert W. Gibeaut
Vice President-Studio Operations

Vincent H. Jefferds
*Vice President-Marketing-
Consumer Products Division*

Richard T. Morrow
Vice President-General Counsel

Richard A. Nunis
*Vice President-Operations-Disneyland
and Walt Disney World*

Howard Roland
*Vice President-Construction Contract
Administration and Purchasing*

James L. Stewart
Vice President-Corporate Relations

George A. Sullivan
Vice President-Tax Administration

Franklin Waldheim
Vice President and Eastern Counsel

Luther R. Marr
Secretary-Legal

Bruce F. Johnson
Controller

Leland L. Kirk
Assistant Secretary-Treasurer

William Allen Jones
Assistant Secretary and Assistant Treasurer

Neal E. McClure
Assistant Secretary

Doris A. Smith
Assistant Secretary

Donald A. Escenas
Assistant Treasurer and Assistant Controller

Douglas E. Houck
Assistant Controller

Donald E. Tucker
Assistant Controller

PRINCIPAL DOMESTIC SUBSIDIARIES AND DIVISIONS

BUENA VISTA DISTRIBUTION CO., INC.

Irving H. Ludwig—President

Distributes, syndicates and sells domestically the product of Walt Disney Productions, including 35mm theatrical film, television shows and records and albums.

BUENA VISTA INTERNATIONAL, INC.

Harold P. Archinal—President

Supervises the distribution of Walt Disney Productions: 35mm theatrical film, 16mm film and television shows in foreign countries.

CELEBRITIES, INC.

Richard A. Nunis—President

Operates Celebrity Sports Center.

WALT DISNEY MUSIC COMPANY

E. Cardon Walker—Chairman of the Board

Merrill C. Dean—Vice President-General Manager

Music Publishing—ASCAP affiliate.

WONDERLAND MUSIC COMPANY, INC.

E. Cardon Walker—Chairman of the Board

Merrill C. Dean—Vice President-General Manager

Music Publishing—BMI affiliate.

WALT DISNEY EDUCATIONAL MEDIA COMPANY

E. Cardon Walker—President

James P. Jimirro—Executive Vice President

Distributes 16mm film, audio-visual educational materials and 8mm home movies.

WALT DISNEY WORLD CO.

Donn B. Tatum—Chairman of the Board

E. Cardon Walker—President

Richard A. Nunis—Executive Vice President

Robert C. Allen—Vice President-Resorts

James P. Armstrong—Vice President-Food

Carl G. Bongirno—Vice President-Treasurer

Edward B. Crowell—Vice President-Facilities

Robert F. Jani—Vice President-Entertainment

Jack B. Lindquist—Vice President-Marketing

Robert K. Matheison—Vice President-Operations

James P. Passilla—Vice President-Employee Relations

Howard Roland—Vice President-Construction Contract

Administration and Purchasing

Philip N. Smith—Vice President-Legal and Secretary

Charles Ray Maxwell—Controller

Operates Walt Disney World.

WALT DISNEY TRAVEL CO., INC.

Jack B. Lindquist—President

Markets wholesale and retail tour packages.

LAKE BUENA VISTA COMMUNITIES, INC.

E. Cardon Walker—President

Owens the community of Lake Buena Vista, operates the Village, and leases townhouses, residences and hotel sites.

VISTA COMMUNICATIONS, INC.

A partner in Vista Florida Telephone System, of which the following are officers:

Michael L. Bagnall—Chairman of Management Committee

Judson W. Perkins—General Manager

The Partnership operates telephone and related communications systems.

WED ENTERPRISES AND MAPO DIVISIONS

E. Cardon Walker—President

John C. Hench—Executive Vice President and Chief Operating Officer

L. Gordon Cooper, Jr.—Vice President-Research and Development

Orlando Ferrante—Vice President-Administration and Production

David Gengenbach—Vice President-Systems Development/Manufacturing

Walter C. Myall—Vice President-Design

Martin A. Sklar—Vice President-Concepts/Planning

C. Langhorne Washburn—Vice President-Epcot/World Showcase

John Zovich—Vice President-Engineering

Charles S. Peck—Secretary-Treasurer

Master plans, designs, engineers and manufactures for outdoor entertainment projects.

This report is distributed for the information of stockholders and employees of the Company. It is not to be considered either as a prospectus or circular in connection with the purchase and/or sale of securities nor is it to be considered a part of the proxy soliciting material of the Company for the annual meeting of its stockholders.

FOREIGN SUBSIDIARIES WITH PRINCIPAL MARKETING EXECUTIVES.

Distribute, sell and license Walt Disney products in foreign territories.

AUSTRALIA

Walt Disney Productions Pty. Limited

Walter A. Granger

Music publishing.

BELGIUM

Walt Disney Productions (Benelux) S.A.

Andre Vanneste

Character merchandising, publications and educational materials.

CANADA

Walt Disney Music of Canada Limited

Clement P. Salla

Records and music publishing.

DENMARK

Walt Disney Productions A/S Denmark

Gunnar Mansson

Publications.

ENGLAND

Walt Disney Productions Limited

Gustave A. Zelnick, Monty Mendelson, Terry Byrne,

Keith Bales

35mm theatrical film, television, 16mm film, audio-visual educational materials, 8mm home movies, character merchandising, publications, records and music publishing.

FRANCE

Walt Disney Productions (France) S.A.

Armand Bigle, Richard Dassonville

35mm theatrical film, 16mm film, audio-visual educational materials, 8mm home movies, character merchandising, publications, records and music publishing.

GERMANY

Walt Disney Productions (Germany) GMBH

Horst Koblicsek

Character merchandising, publications, 8mm home movies, records and music publishing.

ITALY

Creazioni Walt Disney S.A.I.

Antonio Bertini

Character merchandising, publications, educational materials, 8mm home movies and records.

JAPAN

Buena Vista Japan, Ltd.

Yosaku Seki

35mm theatrical film.

Walt Disney Enterprises of Japan Ltd.

Matsuo Yokoyama

Character merchandising, publications, 8mm home movies and music publishing.

SPAIN

Walt Disney Iberica, S.A.

Enrique Stuyck

Character merchandising and publications.

SWEDEN

Walt Disney Productions A/B

Gunnar Mansson

Abbe Drisin—Sales Manager

35mm theatrical film, 8mm home movies, character merchandising and publications.

STOCK TRANSFER AGENT AND REGISTRAR

Bank of America, N.T.&S.A., San Francisco

STOCK EXCHANGES

The common stock of the Company is listed for trading on the New York and Pacific Stock Exchanges

INDEPENDENT ACCOUNTANTS

Price Waterhouse & Co., Century City

ANNUAL MEETING OF STOCKHOLDERS

Second Wednesday in February

A copy of the Company's annual report to the Securities and Exchange Commission (Form 10-K) will be furnished without charge to any stockholder upon written request to the Secretary—Legal, Walt Disney Productions, 500 S. Buena Vista Street, Burbank, California 91521.

Walt Disney Productions makes available to its Shareholders a Dividend Reinvestment Plan. Those wishing a pamphlet about the plan should write to the Stockholder Relations Department, Walt Disney Productions, 500 S. Buena Vista Street, Burbank, California 91521.



Look to the name Walt Disney for the finest in family entertainment.



